

FINANCIAL TIMES

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A glum 100 days
in the equities'
markets, Page 22

World News Business Summary

Austrian weapons 'sold to Iranians'

Austrian state arms company Noricum sold weapons worth up to \$100m to Iran - violating a law that forbids the sale of arms to countries at war - the company's former general director said. Page 24

Go-ahead for warplane

France's programme for a new generation of fighter aircraft, Rafale, was given a boost when Prime Minister Jacques Chirac agreed to speed up development timetable of the project. Page 2

Gulf withdrawal

The US said it would withdraw the battleship Iowa and the helicopter carrier Okinawa from the Gulf region next month in a slight reduction of US naval forces there.

Philippines poll freeze

Filipino officials froze the proclamation election winners in 26 areas including a province where a rebel military officer linked to a coup attempt won the race for governor, following charges of cheating and misconduct.

Bangladesh clash

At least 100 people were injured when riot police in Bangladesh used clubs in a clash with anti-government strikers who shut down transport and commerce. Police said 45 people were arrested. Page 3

Japanese sanctions

Japan imposed diplomatic sanctions against North Korea, accusing it of destroying a South Korean airliner, and promising to help prevent any nuclear war in the North to disrupt the Seoul Olympics. Page 3

Colombia killing

Drug traffickers fighting extradition to the US claimed responsibility for the death of Colombian Attorney-General Carlos Mauro Hoyos and warned that more bloodshed would follow. President's plea and threat to Panama general. Page 4

Bonn-Prague links

West Germany and Czechoslovakia declared interest in improving economic and technological links, including such areas as reactor safety and the environment. Page 24

Rabin challenged

Israeli Defence Minister Yitzhak Rabin received a legal challenge to his controversial order to troops to beat Palestinian protesters and could face criminal charges. Page 3

Seoul Premier sacked

President Chun Doo Hwan of South Korea sacked Prime Minister Lho Shin Yong, 57, and three cabinet ministers. Page 3

Angolan army 'ousted'

Unita rebels in Angola said government forces had fled Cuanavate, a key town in the south-east of the country, after a month-long siege, but the claim was immediately denied by Luanda. Angola 'holds towns'. Page 3

Sudan emergency

Sudan extended its state of emergency for six months after the army acknowledged that the rebel Sudan People's Liberation Army had captured an important southern town.

Shanghai epidemic

Thousands of Shanghai residents were struck down in the hepatitis epidemic which had crowded hospitals and caused "public panic", the China Daily said.

Writer fined £20,000

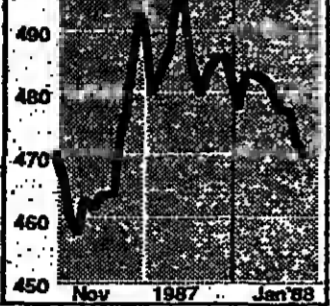
London daily newspaper journalist Jeremy Warner was fined £20,000 (\$35,400) by a High Court judge for refusing to reveal his professional sources to inspectors from the Government's Department of Trade investigating suspected insider dealing. Page 24

American Express suffers \$104m loss

AMERICAN EXPRESS, US financial services group, reported a loss of \$104m or 24 cents a share in the fourth quarter, compared with a profit of \$22m or 63 cents the year before. Page 25

GOLD bullion

closed down \$1.50 an ounce at \$470.25 on rumours that Newmont Mining



of the US was arranging a record 1m troy ounce gold loan. It had reached \$468.75, its lowest since November 23. Page 24

WALL STREET

The Dow Jones industrial average closed down 25.86 at 1,920.58. Page 46

TOYO: Wall Street's overnight advance, stability in the yen-dollar exchange rate and lower interest rates brought investors back to the floor, with the Nikkei average closing 180.36 higher at 23,498.76. Page 46

LONDON: Uncertainty about tomorrow's UK trade figures for December and the continuing lack of volume resulted in slow trading and little change. The FT-SE 100 index gained 6.1 to close at 1,787.3. Page 42

DOLLAR closed in New York at DM1.6735, FFfr5.6415, London \$1.7745, ¥127.00. It closed in London at DM1.6760 (DM1.6775), FFfr5.6500 (FFfr5.6550), SFfr1.3610 (SFfr1.3615), ¥127.85 (¥127.75). Page 35

STERLING closed in New York at \$1.7745. It closed in London at \$1.7745 (\$1.7720), DM2.9750 (DM2.8725), FFfr10.0250 (FFfr10.0200), SFfr2.4150 (SFfr2.4125), ¥226.75 (¥226.25). Page 35

ISRAELI inflation rate is expected to drop to 10 per cent in 1988, its lowest level in nearly 20 years. Page 3

MEXICO Trade Minister, Hector Hernandez Cervantes, called for gradual devaluation of the peso in an effort to maintain Mexico's upward trend in exports. Page 4

PANAMA failed to meet a \$1.57bn (\$12.3m) repayment on a private bond placement with Japan. Page 4

HONG KONG'S exports rose 22.7 per cent to HK\$18.85bn (\$2.42bn) in December, confounding expectations that sales would slow following the worldwide stock market crash. Page 6

GUINNESS Peat Aviation, Irish public-based international aircraft leasing company, is to buy a further 22 Boeing 737 jets at an estimated cost of more than \$500m. Page 6

LONDON'S marine and aviation insurers are facing a slump in income because of premium rate cutting instigated by overseas competitors. Page 12

REPERT MUECOCH, international publisher, said he would like to form a joint venture with Pearson, publishers of the Financial Times, to launch a separate American edition of the FT in competition with the Wall Street Journal. Page 25

MORGAN STANLEY, US investment bank, remained in profit in the fourth quarter despite a \$75m loss on the underwriting of the British Petroleum issue. Page 25

TAP-AR Portugal, Portuguese state airline, is planning a partial privatisation of Air Atlantica, its charter subsidiary. Page 27

AIDS could strike 'a million within three years'

BY PETER MARSH IN LONDON

ONE MILLION cases of AIDS could be expected in the world by 1991, more than six times the current figure, Dr Jonathan Mann, director of the AIDS programme at the Geneva-based World Health Organisation, told health ministers from 120 countries in London yesterday.

Speaking at a three-day conference discussing international efforts to fight the disease, Dr Mann said that over the next few years the ailments would have a "tremendous and gradually expanding cumulative effect, striking down large sections of otherwise healthy young people in both the industrialised and developing nations".

According to Dr Mann between 5m and 10m people worldwide were infected with the AIDS virus and stood a high chance of developing the disease. However, several hundred million people globally "may

have behaviour which makes them potentially vulnerable to infection", he said. By 1991, in some developed nations, the total number of deaths from AIDS of men aged between 25 and 34 would be greater than the total number of deaths to this age group from the four current major causes of mortality: road accidents, suicide, heart ailments and cancer.

In the developing nations, said Dr Mann, the effect of the disease would be "analogous to war". A total of 75,000 people have officially been reported as having AIDS, of whom roughly half have died, but the unofficial figure is thought to be twice that.

North and South America have 75 per cent of reported AIDS cases and Europe and Africa have 12 per cent. The remaining 1 per cent are scattered through Asia and Oceania.

The World Health Organisation expects 150,000 more AIDS cases this year.

Dr Mann said that AIDS would gradually permeate the heterosexual population in the industrialised countries where the disease had so far been confined largely to homosexuals and intravenous drug users.

In many non-industrialised nations, three-quarters of people with AIDS had contracted the disease through heterosexual contact and, Dr Mann estimated, of the 1m cases likely to be diagnosed by 1991, about half would probably be the result of infection spread heterosexually.

However, Dr Mann declined to say what proportion of the total cases would be from the developing and industrialised countries.

By the early 1990s adult mortality rate in some non-industrialised nations could double as a result of the disease, while significant increases in infant mortality could also be expected due to pregnant women passing the AIDS virus on to their unborn offspring.

Such a rise in child deaths would cancel out the effects of public health initiatives in the developing countries, such as measures to improve drinking water, he said.

The effects of AIDS would not only cause large numbers of fatalities but threaten family life, with orphans and elderly

people left without support. AIDS had also "unveiled" thinly disguised prejudices about race, religion, social class, sex and nationality.

The annual cost of treating a person with AIDS varies widely but is estimated at between \$20,000 and \$150,000 in the industrialised world.

The World Health Organisation, which plans to spend \$66m on anti-AIDS projects this year, organised the conference jointly with the UK Government to permit international experts to pool ideas on combating the disease.

Mr John Moore, the UK Health Minister, announced that Britain would be giving the World Health Organisation AIDS programme \$4.5m (\$7.9m) from its overseas aid budget for 1988-89. He also announced a grant of \$500,000 for distribution to voluntary bodies for combating the effects of the disease.



John Moore gets his chance

Ailing UK health care gets the Thatcher treatment

By Peter Riddell in London

MRS Margaret Thatcher, the British Prime Minister, describes herself as a passionate believer driving things through rather than as just a chairman of the Cabinet. But that does not mean all her policies emerge neatly from an ideological blueprint - far from it.

The policies of her government have developed more haphazardly in response to public complaints and demands for radical change - as is being shown again now by the debate over the future of the UK's much-maligned National Health Service.

The NHS was set up in Britain 40 years to ensure hospital treatment and advice by local doctors free of charge at the point of provision. It is, arguably, the most politically sensitive of the issues facing Mrs Thatcher's reformist administration.

Financed primarily by the taxpayer, the NHS budget for the coming year is £20bn (\$35.8bn), though a small amount of income comes from charges for prescriptions and dental and optical treatment.

The service is administered by a network of regional and local health authorities which cater for well over 80 per cent of public needs, although the number of people with private health insurance, mainly through their employers, has been growing sharply. Increasing strains have developed within the NHS because of the conflict between finite financial resources and rising demand created by an ageing population, new techniques made possible by technological advances and rising expectations.

The intention of Mrs Kincock, taunted over figures, Page 8

Continued on Page 24

Saudi-Soviet talks underline Moscow's growing Gulf ties

BY CHARLES HODGSON IN MOSCOW AND ANDREW GOWERS IN LONDON

PRINCE Saud al-Faisal, the Saudi Foreign Minister, is to visit Moscow this week for the highest-level talks the kingdom and the Soviet Union have had in more than five years.

The visit, which is expected to focus on the Arab-Israeli conflict and the Gulf war, is a significant sign of the progress Moscow has made in courting moderate Arab states since Mr Mikhail Gorbachev came to power. It also indicates the influence that Saudi Arabia - traditionally anti-communist and allied with the US - now believes Moscow could bring to bear on the Middle East's two long-running conflicts.

Mr Gennady Gerasimov, the Soviet Foreign Minister spokesman, said yesterday that the visit had been arranged at Saudi Arabia's request. The Saudi Foreign Minister, expected to be accompanied by a large delegation, will be listened to with especially close attention in Moscow, since the Soviet Union would dearly love to establish diplomatic relations with the Gulf's main oil power.

Principal subjects for discussion will be: the recent disturbances in the Israeli-occupied West Bank and Gaza Strip and efforts to convene an international Middle East peace conference involving regional parties and the five permanent members of the United Nations Security Council.



Prince Saud speculation.

Council. Mr Eduard Shevardnadze, the Soviet Foreign Minister, proposed last week that a special meeting of the Security Council be held at foreign minister level to relaunch the peace process.

The UN effort to end the Gulf war, Saudi Arabia, along with most other Gulf Arab states, has been pressing the UN Security Council to agree on a mandatory arms embargo against Iran, which has consistently refused to accept a resolution calling for a ceasefire. Moscow indicated last month

that it was in principle prepared to go along with such a ban. But since then, discussions in New York have been moving slowly, with Moscow insisting on parallel talks about the establishment of a UN naval force in the Gulf. Western diplomats say Soviet representatives appear to want the UN to provide a peacekeeping force which would perform a similar function to the Western navies currently trying to preserve "freedom of navigation" in the region. This is plainly unacceptable to the West.

Saudi Arabia is likely to be especially keen to hear Soviet views on the Gulf conflict since Moscow, unlike Washington, has managed to maintain correct relations with Iran in recent months. There may also be discussions on the Afghan conflict.

Although the Soviet Union was the first foreign power to recognise Ibn Saud as King of the Hejaz-Nejd - the precursor of the modern Saudi Arabia - in 1927, the two states have not had diplomatic relations since 1938.

Prince Saud's visit has already prompted speculation that the two countries might be preparing to establish diplomatic relations, but this may be premature. There remains considerable opposition to ties with Moscow within the kingdom.

Fiat hopes to capture lead in European market with new car

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

FIAT, the resurgent Italian automotive group, yesterday launched a new small family car, the Tipo, with which it hopes to oust Volkswagen of West Germany from the leadership of the European car market.

The development of the Tipo, a medium-sized five-door hatchback, has cost \$1.7bn over the past five years. Fiat says it is the first model it has designed specifically to appeal to European tastes.

The group claimed yesterday that it had set new standards in the automation of car assembly at its main Tipo production plant at Cassino, south of Rome.

The new car will challenge the Volkswagen Golf, the best-selling car in West Europe, as well as the Ford Escort, the market leader in the UK, General Motors' Opel/Vauxhall Kadett/Astra and the Peugeot 309.

Success for the Tipo is vital to Fiat, which has staged a dramatic fightback from the brink of financial collapse at the beginning of the 1980s. The recovery of its car operations has previously depended almost solely on the success of its Uno small car,

which was launched in 1983. Mr Vittorio Ghidella, managing director of Fiat Auto, the group's car division, and the architect of its recovery during the 1980s, said yesterday that the company was aiming initially to capture around 10 per cent of the European small family car market (class C) with sales of about 350,000 units in 1989, the first full year of production.

Fiat has previously been weak in this key market segment, which last year accounted for 27.1 per cent of all European car sales or 3.3m cars. Its ageing Strada/Ritmo model, which has now been taken out of production, took only 3.2 per cent of the market segment compared with the 21 per cent held by the VW Golf.

Mr Ghidella told a press conference linked simultaneously by satellite to five centres in Rome, Frankfurt, Paris, Madrid and London that Fiat hoped to raise its European market share to close to 15 per cent in 1989, the first year of full production of the Tipo, from 14.3 per cent in 1987.

Fiat has built capacity for producing up to 400,000 units a year (1,500 a day) of the Tipo at its highly automated Cassino

plant, but this could be raised to between 550,000 and 600,000 units a year (2,500 a day) with added capacity at its Rivalta plant.

Fiat said that about 50 per cent of the final assembly work on the Tipo had been automated, setting a new standard in the industry.

The group now has around 1,700 robots installed at its production plants. Mr Pier Giorgio Tronville, Fiat Auto director of design development, said that the higher degree of automation had cut the direct labour time in the production of the Tipo by around three hours or more than 10 per cent.

The Tipo will be launched in Italy next month and in the main volume markets of West Germany, France and the UK during the late spring and early summer. The European launch will be completed by the end of the year. Mr Ghidella said that Fiat had no plans to sell the Tipo in the US market, from which it was forced to withdraw in the early 1980s.

He said that the Fiat group (helped by the inclusion of Alfa Romeo) last year produced some 2.4m cars, the first time the group had passed the 2m mark. Car production totalled 1.71m in 1986.

FAO under more fire

BY ROBERT MAUTNER IN LONDON AND JOHN WYLES IN ROME

BRITAIN has decided to "delay" its annual contribution of \$10m (about \$17.5m) to the Rome-based Food and Agriculture Organisation (FAO) because the UK is dissatisfied with the management and financial control of the United Nations organisation.

Officials have made it clear, however, that Britain is not proposing to leave the FAO, as it left for much the same reasons the UN

Continued on Page 24

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1800 Sun	1700 Sun

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CONTENTS	
Europe	2
Companies	27
America	4
Companies	25
Overseas	3
Companies	26
World Trade	6
Britain	10-13
Companies	30-33
Agriculture	24
Arts	21
World Guide	5
Commercial Law	5
Commodities	34
Crossword	28
Editorial comment	32
Euro-options	28
Financial Futures	25
Intl. Capital Markets	28
Letters	23
Less	24
Money Markets	25
Raw Materials	24
Stock Markets - Buenos Aires	42-44
Wall Street - London	39-43, 48
Technology	16
Trade	32
Weather	24
World Index	24



President Reagan fails to ignite the nation with his State of the Union address, Page 4

SCRIPT	
China: Risks of the Year of the Dragon	3
Asia-Pacific aviation: Shorter Pacific Basin-Europe flying times predicted	3
Technology: How Coloroll woke up sleepy hollow	18
Editorial Comment: Mr Reagan's final message: Price of silence; Weighing up the public interest	22
Lex: Birmid Quilcast; Rascal; Save & Prosper	24
Management: Midland Bank/Crocker	29
Vehicle Fleet Management	section III

كلنا من الوطن

EUROPEAN NEWS

Kieran Cooke assesses Ireland's prospects on the day the 1988 budget is unveiled in Dublin

Economy responds to Haughey's strong medicine

WITH AN enthusiasm very few would have predicted, Mr Charles Haughey, the Irish Prime Minister, has introduced a series of very tough economic measures since coming to power last February.

For a man who in previous administrations spent lavishly and in opposition railed against the Government's obsession with book-keeping, Mr Haughey has undergone a remarkable conversion to tight fiscal control.

Central to government plans is a reduction in the overall, Exchequer borrowing requirement (EBR) as a proportion of gross national product. At £1.78bn in 1987, EBR represented 10.3 per cent of GNP, the lowest level since since 1977 and down from 13 per cent in 1986.

Budget estimates indicate some tax relief for the country's pay-as-you-earn workers, but there will be further cuts in public services, particularly education, as part of the Government's attempt to bring down the Exchequer borrowing requirement for 1988.

Several fundamental ills have to be attended to before growth can be restored. The tax system is complex and unfair: state and industrial workers are burdened with tax rates among the highest in the world, while farmers and the self-employed pay little or nothing.

While Ireland has had considerable success in attracting foreign industries, there is growing criticism from abroad, many of them capital rather than labour intensive, over extensive tax breaks and repatriate profits.



Haughey conversion

Gael party has long advocated such measures. He has administered the first bitter dose of economic medicine.

Pravda hits at Paris, Bonn deal on defence

By Charles Hodgson in Moscow

THE Soviet Communist Party newspaper Pravda yesterday criticised the new defence agreement between France and West Germany, describing it as an effort to undermine the disarmament process in Europe.

French go-ahead for Rafale fighter boosts Dassault

BY PAUL BETTS IN PARIS

THE FRENCH programme for a new generation fighter aircraft, Rafale, was given a major boost yesterday when Mr Jacques Chirac, the conservative Prime Minister, confirmed the development timetable of the controversial project.

Mr Chirac also indicated that France was not planning to buy American F-18 fighters to equip the French navy.

The French Government's decision on the Rafale, taken at a special inter-ministerial committee meeting, is especially important for Dassault-Breguet, the French aerospace group whose longer-term future hinges on the development of the combat aircraft.

Dassault has been forced to lay off workers and close plants for the first time as a result of a big fall in its military aircraft export orders.

The company did not win a single military aircraft export order last year and is relying heavily on the Rafale programme.

Mr Serge Dassault, chairman of the company, warned last month that a decision to acquire American F-18 jets for the French navy would place

the Rafale programme at risk. But the Government said yesterday that "France planned in the future to equip the French navy with French aircraft".

A government official added after yesterday's meeting that there were no plans to buy US-built F-18s. "Mr Chirac was extremely clear on this point," he said.

Dassault had become increasingly alarmed over the possibility of F-18 purchases by France in recent weeks after the decision by the French navy to test the McDonnell Douglas fighter as a possible replacement for its ageing Crusader.

The Government also confirmed yesterday that the initial development contract for the Air Force and naval versions of the Rafale would be awarded by next April at the latest. This will include financing of the first two out of the five prototypes of the aircraft.

The first prototype is scheduled to fly in 1990 with the fighter coming into service in 1996.

Mr Andre Girard, the Defence Minister, indicated that possibilities of international co-operation on the new aircraft were "promising".

Officials added yesterday that the Government wanted to carry through the Rafale programme "on a national basis if possible European basis".

They indicated France was "very open" to co-operation and that there were discussions with Belgium, Spain, West Germany and even Britain.

However, they did not specify the areas of possible collaboration. So far, Belgium has shown the biggest interest in possible collaboration in Rafale. But the contacts with Spain, West Germany and Britain could be significant in that these countries are collaborating on the rival European Fighter Aircraft programme.

Government officials said the specific issue of the replacement of the French navy's Crusader was not raised at yesterday's meeting. These jets are to be replaced in 1993. To prevent the possible purchase of F-18s, Dassault has proposed extending their life for a few more years until the naval version of the Rafale is ready.

UN fund to aid poor seeks cash stability

By John Wyles in Rome

THE UN's International Fund for Agricultural Development yesterday sought to raise a second decade of activities in aid of the developing world's rural poor in some uncertainty about its future financing base.

Simultaneously, the party has eluded down on the tiny but active Charter 77 civil rights movement. Its spokesmen and followers were taken into custody recently for trying to hold a political discussion "forum" in a Prague restaurant.

Czechoslovak officials said the leadership was trying to win over a segment of the population, which, although critical, did not overtly host the party, however, would make clear to dissidents that their activities would be carefully "proscribed", the officials noted.

A new television programme, Probe, startled viewers earlier this month with the outspoken opinions of a group of factory workers. They said that, if the party wanted reforms, as Mr

Jakes permits press criticism in attempt to gain support

BY LESLIE COLTIN IN PRAGUE

THE new leader of Czechoslovakia, Mr Miroslav Jakes, is permitting blunt criticism of his leadership to appear in the official media in an attempt to gain support from disaffected Czechoslovaks.

Simultaneously, the party has eluded down on the tiny but active Charter 77 civil rights movement. Its spokesmen and followers were taken into custody recently for trying to hold a political discussion "forum" in a Prague restaurant.

Czechoslovak officials said the leadership was trying to win over a segment of the population, which, although critical, did not overtly host the party, however, would make clear to dissidents that their activities would be carefully "proscribed", the officials noted.

A new television programme, Probe, startled viewers earlier this month with the outspoken opinions of a group of factory workers. They said that, if the party wanted reforms, as Mr

Jakes said, the reforms must come from the "bottom and not the top". One television worker commented on this grassroots approach by noting caustically that "with those people (the leadership) you can't do it."

The programme is the talk of Prague and a sign that Mr Jakes, who came to power last month, may be emulating General Wojciech Jaruzelski, the Polish leader, who has permitted greater criticism of the leadership.

Czechoslovak television also showed workers who complained that the same people who had ruled for the past 30 years - which implicitly included Mr Jakes - were demanding that they work harder. Such critical remarks are frequently voiced by ordinary Czechoslovaks but seldom heard in the official media.

By contrast, the security police pounced on Charter 77 in the hours of January 17, when the civil rights group

planned to hold its second discussion sessions, this time on political questions, in a Prague restaurant. The last meeting, on environmental damage in Czechoslovakia, took place in the same restaurant last December without incident.

This time the spokesmen and other prominent Charter signatories, such as Mr Václav Havel, the playwright, were told by security policemen to take "food, reading matter, and medicine, if needed" and taken to local police stations. They were held for the rest of the day while about 50 civil rights supporters who had gathered in the restaurant were dispersed.

The authorities were taken by surprise last month, when a demonstration took place in Prague's Old Town Square on United Nations Human Rights Day. A number of the estimated 1,000 persons who gathered at the square to Jan Hus, the Czech religious reformer, were taken into custody.

Swiss watch exports hit record

SWISS watch exports rose 1.6 per cent to a record SF74.34bn (\$3.2bn) last year despite a 3.1 per cent fall in sales to the US because of the weaker dollar, the industry announced yesterday, Benter reports from Biel.

The previous record - SF74.3bn - was set in 1986. In its annual review, the Swiss Watchmakers' Federation adopted a cautious outlook in the aftermath of the global

stock market crash in October. However, it said that the effect of the collapse had not been as serious as initially feared and that 1987 exports so far were holding up well.

Though the overall value of exports was up last year, volume declined to 59.7m watches from a total of 60.7m in 1986.

Despite the 3.1 per cent fall, the US market remained the largest with 1987 sales worth SF7827.5m.

Among other major markets, exports to Hong Kong rose 11.3 per cent to SF704.6m, to Italy by 9.9 per cent to SF415.7m and to France by 0.9 per cent to SF281.7m.

Sales to Britain were up 9.1 per cent at SF199.1m while those to Japan increased 12.6 per cent to SF197.6m. However, the value of exports to West Germany slipped 2 per cent to SF364.1m.

Poles close 'arms sales' company

By Christopher Robinson in Warsaw

THE Polish Government said yesterday it had closed down a company that was set up to close deals identified by the US Government as a front for the Abu Nidal guerrilla network.

Mr Jerzy Urban, the government spokesman, said the authorities had shut the Warsaw offices of SAS Ltd in August and added that the Polish Middle East manager, Mr Samir Hassan Najmeddin, had left Poland on January 14.

The New York Times quoted a classified State Department report as saying that for four years the company had run a financial operation trading arms for consumer goods.

The report was said to name Mr Najmeddin as Abu Nidal's chief financial officer, and to allege that he brokered arms sales on behalf of the governments of Middle East governments, giving a commission to Abu Nidal.

Mr Urban said the Government had no knowledge of any links between the company and Abu Nidal.

But he added that "the functioning of the company here did not lie in the interests of our country, and its licence was accordingly withdrawn".

Austrian champion of 'hard schilling' dies

BY JUDY DEMPSEY IN VIENNA

MR Stephan Koren, president of the Austrian National Bank and the banker who defended the "hard schilling" which was linked to the D-Mark, died yesterday in Vienna after a long illness. He was 69.

He died after a long illness, Mr Koren, as state secretary to Mr Josef Klaus, then Chancellor of Austria, and later as Finance Minister in the Conservative People's party, unsuccessfully argued for a close link between the Austrian schilling and the D-Mark.

As Finance Minister, he also suggested increasing taxes on certain goods as a means of reducing what was then a small budget deficit. That measure was highly unpopular and it partly contributed to the return of the Socialist party to power in the election of 1970.

Mr Koren's policy for the schilling was finally accepted after Mr Hannes Androsch, who was Finance Minister from 1970-81 and later chairman of Creditanstalt-Bankverein, Austria's largest bank, implemented the policy.

in the 1970s during a period of weak coalition governments, was jailed for several years and banned from political activity after a military coup in 1980 crushed political violence.

He became leader of the NWP after a referendum last September lifted bans on 65 former political leaders. His party did not win any seats in the 460-member National Assembly in November's general election.

At the time of his death, he was 110m people in 89 developing countries. The largest share of financing, 29 per cent, has gone to Asia, followed by 29 per cent for Africa.

In 1986, Ifad launched a special fund for sub-Saharan countries hit by drought and desertification which is designed to provide extra resources for smallerholder farmers. In a speech at the Council's opening session yesterday, Mr Giovanni Goria, the Italian Finance Minister, announced that his government would add another \$10m to the \$25.6m Italy has already contributed to the fund.

As a result, the \$28m pledged in total is very close to Ifad's target of \$300m.

Altogether its activities have touched the lives of 110m people in 89 developing countries. The largest share of financing, 29 per cent, has gone to Asia, followed by 29 per cent for Africa.

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Brezhnev son-in-law to face corruption charges

MR YURI CHURBANOV, the son-in-law of Mr Leonid Brezhnev, the late Soviet leader, will go on trial for corruption and taking bribes, the Soviet news agency Tass said yesterday, Benter reports from Moscow.

Tass quoted a government official as saying that investigations were continuing into the case of Mr Churbanov, formerly a senior government official, who has been held in jail since his arrest in 1983.

"He has been charged with taking bribes of more than 650,000 rubles (3.1m) and with abusing his official position," said the official.

"At present the accused is being sequituated with the material of the investigation, after which he will be brought to trial," he added.

Earlier this month, Mr Genady Brovin, Mr Brezhnev's private secretary, was jailed for nine years for taking bribes while in office.

The government newspaper Izvestia said Mr Brovin had received about 19,000 roubles (\$30,000) in bribes.

A wide-ranging anti-corruption campaign has been launched under Mr Mikhail Gorbachev, the Soviet leader, who has criticised the Kremlin leadership under Mr Brezhnev of allowing the country to sink into social and moral stagnation.

Greek museum keeps room for Elgin marbles

A BOOM will be left empty in Athens' new Acropolis museum to await the Parthenon or Elgin marbles which Greece is claiming back from Britain.

Ms Melina Mercouri, Greek minister of culture said yesterday, Benter reports from Washington.

"We will have an empty room in this museum to wait for the marbles of the Parthenon," she said. The museum at the foot of the Acropolis is due to be completed in two or three years.

One of Ms Mercouri's main goals as minister has been to persuade Britain to return the marble frieze of the Parthenon, known as the Elgin marbles, which are in the British Museum in London.

Rosy forecast of Spain's GDP

BY TOM BURNS IN MADRID

SPANISH government statistics revealing a 1987 economic performance exceeding expectations, were reinforced by a report issued today by the Organisation for Economic Co-operation and Development which forecasts continued strong growth in Spain during the next two years.

Declaring 1987 to have been "extraordinarily good in comparison to previous years", Mr Carlos Solchaga, Economy Minister, said provisional government figures indicated Spain's gross domestic product had grown by 4.8 per cent in 1987.

An estimate by the Bank of Spain last week that the 1987 GDP growth at 4.5 per cent but Mr Solchaga said the final figure could be 4.9 per cent. The minister also announced that inflation last year had been brought down to 4.8 per cent from a 1988 December-to-

December rate of 8.3. The Government had targeted a reduction in the price rise index to 5 per cent.

The OECD report noted that the record of the Spanish economy, measured by macro-performance indicators, had been "quite impressive". It underlined a strong balance of payments position, despite a marked reduction in real net exports, a narrowing of the inflation gap in relation to OECD averages, and a sharp acceleration of aggregate growth, and, notably, of employment which was making "first dents in the very high rate of unemployment".

Noting an improved business climate due to rationalisation efforts of previous years, which included greater flexibility in the labour market and the reorganisation of public enterprises, the report highlighted

Malta plans to give president wider powers

By Godfrey Grim in Valletta

MALTA'S presidency, now a largely ceremonial office, will be given much wider powers under sweeping constitutional changes proposed by an all-party parliamentary committee.

The changes, which seem likely to be approved by parliament in March, could transform Malta's political life, which has been marked by deep division between the pro-Western Nationalists, now in government, and Mr Dom Mintoff's Socialists.

Mr Mintoff currently seems to have the best chance of succeeding Paul Xuereb, the acting president, as head of state later this year. It is not known whether the Nationalist party of Dr Eddie Fenech Adami, the Prime Minister, will elect a candidate.

The last major constitutional change was in January 1987, when it was agreed that a party gaining more than 50 per cent of the vote would form a government. This paved the way for a Nationalist administration. Both parties later agreed that the power of the presidency should be bolstered.

The report suggests the creation of powerful councils, most of them headed by the president, whose functions would include keeping an eye on foreign policy and administering the courts and the armed forces.

It also proposes a State Council in which the president would have a casting vote in the event of disagreement between the Prime Minister and the leader of the opposition. The Council could vote on issues with foreign governments. The objective is to ensure Malta's neutral status and key constitutional provisions which would remain permanently in force whichever party was in power.

President leads in Finland's passionless polls

ANALYSTS AND opinion polls consistently agree that there is only one possible winner in Finland's presidential elections at the beginning of next month.

Mr Mauno Koivisto, may head and shoulders above the other four candidates - even physically - the result may still provide surprises.

The main focus is now on the two likely runners-up, Mr Harri Holkeri, the Prime Minister and leader of the Conservatives, and the opposition leader Mr Paavo Vyyrynen of the Centre Party. The questions at issue are whether the two non-socialist candidates will join forces to provide a more viable challenge to Mr Koivisto, the candidate of the Social Democratic Party, or whether they will fight each other to the bitter end. Looking ahead, there is also the question of which one of the two will end up better placed in the following elections in 1994.

The most recent polls would give Mr Koivisto 55 per cent of the vote, while Mr Holkeri at 15 per cent and Mr Vyyrynen with 13 per cent seem to be in a hopeless situation. The two

other cootenders, Mr Kalevi Kivisto and Mr Jonko Kananen, representing different shades of socialism, have backing of 5 per cent or less apiece.

Even in the unlikely situation of Finland getting a non-socialist president few things would change either in the country's domestic or foreign policy. In line with the prevailing consensus policy, the main candidates have been hard pressed to state differences in their views on major issues.

Mr Koivisto and Mr Holkeri, in particular, do not want to rock the boat. Unlike in France, for example, the two Finnish leaders have not disagreed on any government decision and they are unwilling, or too polite, to start now.

Mr Vyyrynen, on the other hand, has raised his profile both on the domestic scene and in international affairs. He is the only candidate openly criticising his rivals and he may still feel bitter about Mr Koivisto's decision a year ago to form a government without the Centre Party. Yet, none of the candidates challenges Finland's basic foreign policy position of staying neutral and maintaining good relations with its neighbours, most notably the Soviet Union.

Finland's president has sweeping powers, in particular to dissolve the parliament and appoint the prime minister. But he is supposed to remain above party politics and, in this context, Mr Koivisto resigned from the Social Democrats when he came to power six years ago.

By most estimates, Mr Koivisto's decision a year ago to form a government without the Centre Party. Yet, none of the candidates challenges Finland's basic foreign policy position of staying neutral and maintaining good relations with its neighbours, most notably the Soviet Union.

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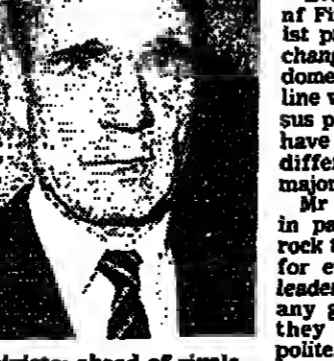
By most estimates, Mr Koivisto's

Olli Virtanen reports on the prospects for the likely runners-up

Mr Koivisto has even been accused of inaction. Finland's role in international affairs may diminish as Mr Koivisto is unwilling to come up with new international initiatives. He has also held back from reversing the sinking trend in trade with the Soviet Union as President Kekkonen had done. Nevertheless the current president has been successful in pursuing virtually unchanged the foreign policy created by Mr Kekkonen and his predecessor Mr Juho Paasikivi.

The elections will introduce a new, two-stage polling system in which the presidential elections will be held on January 31 and February 1, one for a presidential candidate and one for a candidate for an electorate college which will convene on February 15 to elect a president if no candidate obtains over 50 per cent of the votes directly.

This system provides interesting scenarios. Many analysts expect that Mr Koivisto will not win on the first round despite his strong performance in opinion polls. As a result Mr Holkeri and Mr Vyyrynen may join forces and decide to back the one who is ahead after the first round. Considering that many of Mr Koivisto's electors will be apolitical persons - reflecting his widely-based backing in society - some of them might change their allegiance and back a joint non-socialist candidate and thereby bring about a surprise victory. But for the moment Mr Koivisto seems likely to get his second term, while the runners-up will start planning for 1994.



Koivisto: ahead of rivals

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OVERSEAS NEWS

Rabin faces court challenge over army policy in Gaza Strip

BY ANDREW WHITLEY IN JERUSALEM

MEYER RABIN, Israel's Defence Minister, has received a legal challenge to his controversial order to troops to beat Palestinian protesters...

Describing Mr Rabin as a "dangerous criminal", Mrs Langer told the Financial Times yesterday that the soldiers had received very "so clearly illegal" that it had been their duty not to obey them.

Five Gazans facing deportation to Lebanon have meanwhile dropped their appeal to the Israeli Supreme Court and could be expelled imminently...

Bangladesh riot as strike closes banks

AT LEAST 100 people were injured in clashes between Bangladesh riot police yesterday and anti-government strikers...

Police said 45 people were arrested for attempting to organise illegal rallies. The strike - the 20th in two months - was called to protest against police shooting in the southern port of Chittagong...

Gandhi flaunts Bofors gun as arms scandal recedes

BY JOHN ELLIOTT IN NEW DELHI

A 155mm Bofors howitzer gun rumbled down New Delhi's grand Rajpath ceremonial avenue yesterday as a symbol of Mr Rajiv Gandhi's growing political confidence...

The gun was the star attraction of Delhi's colourful annual Republic Day parade. It was making a high profile first appearance to the Indian general public less than 24 hours after Sweden's chief public prosecutor announced in Stockholm that he was abandoning investigations into corruption allegations on Bofors \$1.4bn contract for supplying the gun to India.

Yesterday opposition politicians condemned the Swedish prosecutor's decision which blocks their most promising source of new information. They accused Mr Gandhi of coming to an "unhappy understanding" with the Swedish Government when he visited Stockholm late last week...

Mr Ruid Lubbers, Dutch Prime Minister and Mr Hans van den Broek, the Foreign Minister, may cancel a planned trip to Israel in May unless violence in the occupied territories diminishes, a Foreign Ministry official said yesterday...

UK 'supportive' of Mubarak peace policy

By Our Middle East Staff

PRESIDENT Hosni Mubarak of Egypt yesterday received a sympathetic general endorsement of his Middle East peace initiative from Mrs Margaret Thatcher, the British Prime Minister...

Talks concentrated on the recent Palestinian uprising in the occupied territories which Mrs Thatcher and Mr Mubarak agreed made it even more urgent that "bilateral negotiations" were held between Israel and the Arab parties to the central Middle East conflict...

dicting a figure of nearly 1.3bn for the population by the year 2000. "One false move may lose the game," the paper added, no doubt mindful of the UN Fund for Population Activities' prediction of 2bn by the year 2030 if growth continues at the present annual rate of 1.4 per cent.

Colina MacDougall analyses a population growth rate threatening standards of living

The risks of China's Year of the Dragon

A CRISIS over food, prices and population growth has blown up in China which may scupper all attempts at boosting living standards and economic reform. The Chinese scientists have pleaded with couples not to have extra children in the coming "lucky" Year of the Dragon...

While last year's grain output was not that low in absolute terms, amounting as it did to 397m tons, it did not regain the 1984 peak of 407m. With the population currently increasing by 18m or 14m a year, this is not a reassuring picture.

agent who is now in hiding in the US. The four other names are not believed to include any embarrassing Italian or other European links with Mr Gandhi, nor with people close to him who have been named in the allegations.

These people include relations of his Italian-born wife Sonia, and a controversial Switzerland-based brother of Mr Amitabh Bachchan, a famous Indian film star and close friend of the Prime Minister.

It is believed that seven names of people or organisations linked with Bofors bribes and agents' payments have already been handed over to the Indian Government by Sweden and are expected to be published later. They are thought to include three Indian names including Mr Win Chadha, Bofors' former Delhi

State Council has issued regulations to curb "evil practices" and "wanton price increases". While these relate in the main to producer goods prices, there is a knock-on effect which would certainly be seen in food.

But "we have no other choice," the paper declared. Indeed, with the 1960s baby boom coming into child-bearing age, even this might not be enough. Yet the prospect of a severe birth control campaign, plus falls all round from the recently acquired standards of living, does not bode well for the future.

press that Miss Kim might be a double agent working for South Korea after a bombing incident in Rangoon in 1983. The European Community yesterday condemned the destruction of a South Korean airliner as a very careful investigation, that Japan had been involved in the investigation and that the US Government also had no doubts about the findings...

Angola said yesterday that its armed forces were still in control of the strategic southern town of Cuito Cuanavale. Reuter reports from Luanda. The troops were strengthening their defensive positions to withstand a continuing attack by South African troops, a Defence Ministry spokesman said.

Shorter Pacific Basin-Europe flying times predicted

BY ROGER MATTHEWS IN SINGAPORE

THE PROSPECT of significant improvements to air traffic routes within the Asia-Pacific region and in its links with Europe was raised yesterday in Singapore by Dr William Fromme, director of the Air Navigation Bureau at the International Civil Aviation Organisation.

Thailand and Singapore, and these were now close to implementation. Dr Fromme was also optimistic about the benefits which would eventually come from the work which was being done on Future Air Navigation Systems which laid particular emphasis on the use of satellites. It had the potential, said Dr Fromme, for worldwide direct routing systems, greater freedom in route and altitude selection and therefore savings in both time and fuel.

McDonnell Douglas China, outlined the developments within their own country which they expected to benefit from the strong growth of the Asia-Pacific region. Mr Craig believed that the increase in traffic would be phenomenal and emphasised the role which would increasingly be played by two-engine aircraft operating over long distances.

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AMERICAN NEWS

Argentina breaks bar on official UK visits

By Jimmy Burns
ARGENTINA has sent a senior government official to Britain for the first time since the Falklands War in 1982...

Boost for 'wimp' Bush after TV shouting match

By Lionel Barber in Washington

US VICE President George Bush may finally have buried his 'wimp' image. During a nine-minute shouting match with CBS evening news anchorman Mr Dan Rather...

As the two men jostled, Mr Bush, whose preppy image dogged him in the 1980 presidential campaign when he lost to Ronald Reagan...

Markets urged to reassess controls

By Janet Bush in New York

THE General Accounting Office, the US Government's watchdog, yesterday delivered its report on October's share price collapse and recommended that the financial markets develop formal contingency plans...

THE PRESIDENT'S STATE OF THE UNION ADDRESS

No disguising shopworn Reagan

By Stewart Fleming, US Editor in Washington

'SURPRISED you, didn't I,' said President Reagan as he blew a kiss in the direction of his wife Nancy...



President Reagan during his address holds one of the bills he said Congress was late in sending to his office.

The President had just departed from the prepared text of his nationally televised speech to pay tribute to his wife's role as an anti-drug propagandist...

Turn back for a moment to his first State of the Union address in 1982 and the 'New Beginning' he offered Americans then. 'We have an economic programme in place completely different from the artificial quick fixes of the past'...

budget, touting for the balanced budget amendment to the Constitution and the line item veto, and ignoring the issue of taxes as a way out of the budget trap that America has fallen into...

THE MAIN POINTS

CENTRAL AMERICA: The President urged Congress to approve new aid to Nicaragua's Contra rebels...

Treaty signed in December. The Senate Foreign Relations Committee is currently holding hearings on the treaty...

anti-missile Strategic Defence Initiative, or 'Star Wars', would reduce the risk of war, and urged Congressional support...

spending bills. He also called for changes in the congressional budget process that would give the president an official role in that process...

US orders rise

ORDERS for US durable goods shot up by \$7.4bn, or 6.7 per cent between November and December, giving evidence of growing strength in the American industrial sector...

Colombian president in pledge on drug gangs

COLOMBIAN President Virgilio Barco said yesterday the government would not cave in to drug traffickers who murdered chief prosecutor Carlos Hoyos...

airport serving Medellin, the center of the country's illicit drug trade. He had been in Medellin to investigate last month's release from prison of reputed cocaine baron Jorge Luis Ochoa Vasquez...

Probe into bank run

Venezuela said yesterday it was investigating a campaign to destabilise its banking system following a run on Banco Consolidado, a large commercial bank...

Drug link threat to Panama's strongman

By Lionel Barber in Washington

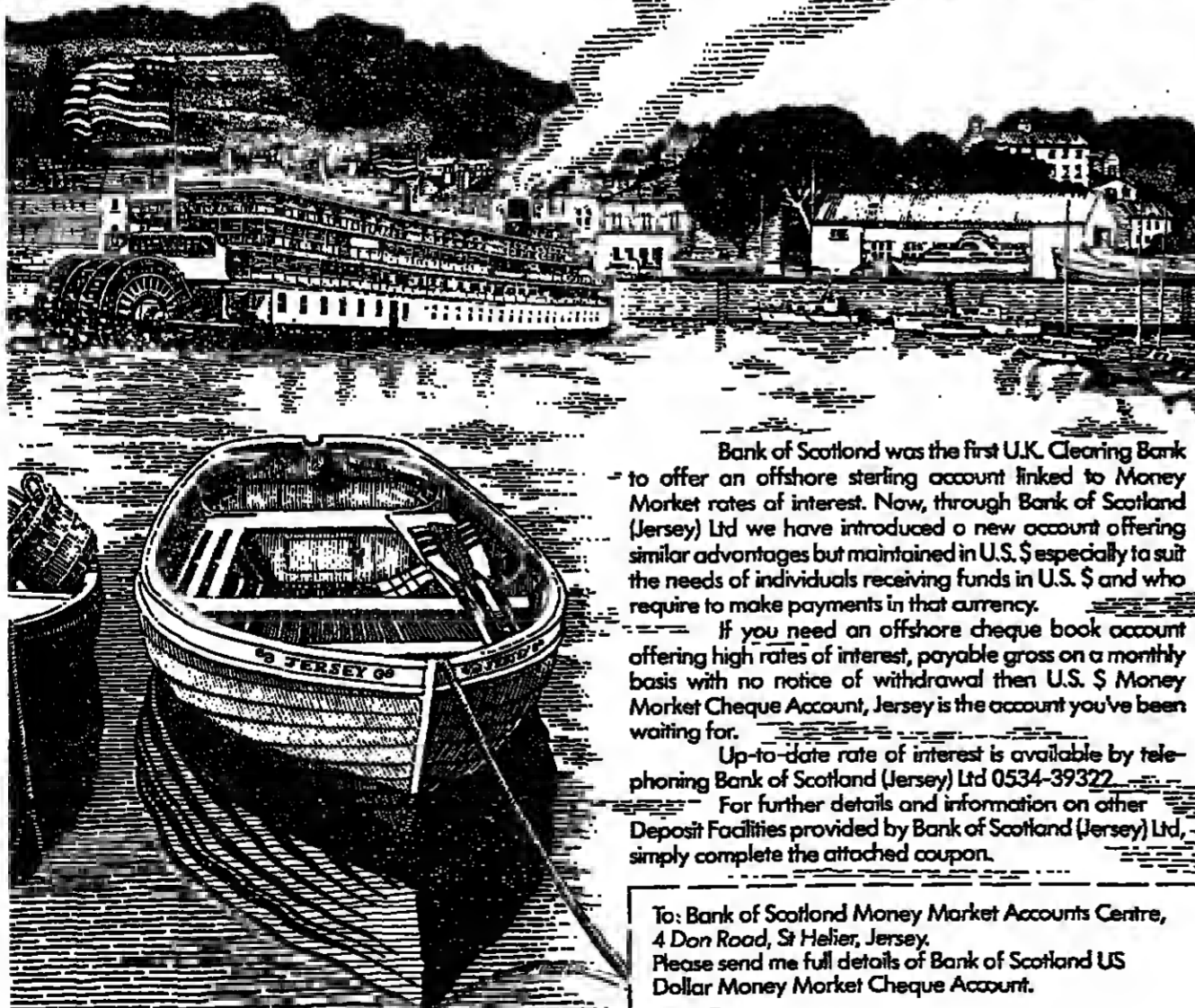
A FORMER senior adviser to the Panamanian strongman, General Manuel Antonio Noriega, has threatened to reveal details of the general's suspected links to drug and arms smuggling unless he steps down from power...

New York Times - comes amid persistent Reagan administration lobbying for Gen Noriega to quit. Mr Blandon - who has his own political ambitions and holds a leading position in the government-allied Democratic Revolutionary Party - is to testify this week before a Federal Grand Jury in Miami investigating whether Gen Noriega has been involved in money laundering and providing safe haven to cocaine traffickers...

desire for guarantees that he and his associates avoid prosecution in the courts. In the interview Mr Blandon said: 'I have a lot of information about Noriega, probably more information on his arms trafficking, drug trafficking and the internal problems of the Defence Forces than anyone else. If there is not any political solution, I will use it.'

told Caracas daily, El Nacional that Gen Noriega should learn how to 'gauche his unpopularity' and 'isolation' so that he could leave office. He said he would like to aid the political development of his country, but added: 'I am not in a hurry, I have no hurry.' He said the US should apply 'a more intelligent focus' to its relations with Panama, and that it was coming to realise it was not always wise to support leaders who 'respond to its hegemonic interests'.

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Political uncertainty clouds bank talks, writes David Gardner Panama seeks relief on its debts

PANAMA BEGAN discussions in New York this week with its commercial creditors to try to win easier terms for its international bank debt on which it has fallen into arrears for the first time since the 1982 debt crisis began...

The talks have begun amid growing political uncertainty and a severe fiscal crisis in Panama, where the opposition, the private sector, and the US Administration are calling for the departure of General Manuel Antonio Noriega, military strongman of the government and head of the 18,000-strong National Guard, which has controlled the country de facto for 20 years...

\$100m structural adjustment loan, signed in December 1986 with the World Bank remains only half disbursed because of Panama's failure to implement the agreed reforms. The Government has sought a renegotiation of its Paris Club obligations. This will probably require prior agreement with the IMF, while a new programme with the Fund has been made conditional on implementation of the structural adjustments...

The letter is a separate issue from the decline in offshore assets held by the international banking centre - from \$32bn in 1986 to \$23bn at the end of last year - and has a much more immediate effect on the economy and on Panama's ability to finance itself and its deficits. It also has a US dollar economy without either a central bank to print money of its own or a currency it can devalue. This leaves the budget as Panama's only macroeconomic tool, and it must be used to balance if a deficit cannot be financed...

Panama has missed a deadline for repaying part of a private bond placement, the Bank of Tokyo, the paying agent, said yesterday, AP-DJ reports from Tokyo. This was the first time Panama had been late making a half-yearly payment on the 7.8 per cent Y12bn 18-year issue sold in 1979, the bank said, although last September, Panama was a few days late making payments on a loan and a floating rate note outstanding. The bank said its Panama office feared no payment would be made. Panama's embassy in Tokyo said it was aware of the problem.

Many bankers link any possible concessions to Panama to its ability to come up to date on its arrears. On December 29, Panama missed a \$4.5m interest payment on \$150m lent by a Lloyds Bank-led syndicate. This brings total arrears on all public foreign debt to \$62m, according to Mr Ricardo Vazquez, the Planning Minister and chief debt strategist. Panama has continued to pay most interest on its commercial debt through a roll-over agreement reached last August, which expires in mid-March. But it is in arrears on its borrowings from the Paris Club, the International Monetary Fund, the World Bank, and the Inter-American Development Bank.

These adjustments include retrenchment of the social security system and trimming of the public sector, measures which the military leadership is understood to fear will increase its unpopularity. Panama's situation is further complicated by a severe budget deficit and the drying up of domestic liquidity through a capital flight. There is currently no budget, since Congress last month threw out Mr Vazquez's planned \$450m cuts (a 12 per cent reduction). Officials confirm that the Treasury's total cash resources - including the already drained treasuries of the public sector companies - have been whittled down to \$70m-\$80m. From June to November, at the height of the political crisis last year, more than \$500m left Panamanian banks, representing half their liquidity.

Up to now, the Government has rejected this course as too risky politically, and a central out of the 1980s, even while the deficit was coming down, the public sector payroll grew by around 10 per cent a year. This bureaucratic payroll remains the only substantial reservoir of support for the military-dominated regime and there is a clear risk, recognised by officials, that it could quickly dry up, further isolating Gen Noriega.

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WORLD TRADE NEWS

Brazil warned by US on arms sales to Gadaffi

BY OUR CORRESPONDENT IN SAO PAULO

THE VISIT of a Libyan military delegation to Brazil has led to the worsening of Brasilia's already tense trade relations with Washington.

The delegation is in Brazil to begin negotiations over an arms package that could be worth more than \$2bn. It is also said to be interested in buying Brazilian technology to build ballistic missiles in Libya.

Yesterday the US Embassy in Brasilia issued an angry note denouncing possible arms sales to Libya. It said: "We encourage all civilised nations to deny Gadaffi the means to carry out his objectionable policies. We believe it inappropriate to sell arms to the Libyan regime, in addition to supporting terrorism it is currently engaged in military aggression against Chad."

The Brazilian Foreign Ministry, the Libyan Embassy and the companies visited by the Libyan delegation refused to comment on the US statement.

The US Embassy would not say what action it might take to prevent a weapons sale, although in 1983 American pressure convinced the Brazilians to suspend arms sales to Libya.

The US note was unfortunate

for Brazilian trade negotiators, who are anxious to improve relations with the US, which is angry about protection given to Brazilian computer manufacturers. Less than a week ago, Brasilia relaxed slightly its protectionist policy, in the hope of warding off threatened US trade retaliation.

The Libyan delegation is negotiating a package to modernise the Libyan army's arsenal and replace equipment lost during last year's conflict in Chad, a Brazilian arms expert said. Part of the purchase would be paid in oil.

The weapons on the shopping list are said to include armoured cars, a heavy battle tank and short-range ground-to-ground and ground-to-air missiles.

The Libyans are also believed to have offered \$2bn over five years to Orbita Sistemas Espaciais, a company partly owned by the Brazilian Government, to finance development of a new generation of medium-range ballistic missiles.

The Libyans would also manufacture the missiles themselves at a factory recently built in Libya by Otrag, a Zaire-based rocket manufacturer which is owned by West German citizens.

GPA to buy 22 Boeing 737 jets

By Kieran Cooke in Dublin

Guinness Peat Aviation, the international aircraft leasing company based at Shannon in the Irish Republic, is to buy a further 22 Boeing 737 jet aircraft estimated to be worth a total of more than \$500m.

Over the past three years GPA has purchased more than \$2bn worth of Boeing 737s. Dr Tony Ryan, GPA's founder and chief executive, said the Boeing purchase reflected continuing strong demand in the airline industry for the 150-seat 737.

GPA, whose corporate shareholders include a number of major financial institutions and international airlines, has quickly joined the big league of aircraft leasing companies since being founded 12 years ago.

In the year to last March the company made profits of \$88m. Profits this year are expected to be more than \$90m.

Fokker, the financially troubled Dutch aerospace group, has received an order for two 50-seat Fokker 50 projects from Keoya Airways, Laura Raun reports from Amsterdam.

The purchase price was not disclosed but the new short-haul aircraft is believed to sell for about \$13m. Fokker has said it will report a loss for 1987 due to production delays in its new 100-seat Fokker 100 twinjet and because of the low dollar.

Peter Montagnon on why a credit agency does not behave like a commercial bank

ECGD hedges more against lost claims

NOTIONALLY, at least, equal treatment of all creditors has always been one of the hallmarks of a credit agency.

The controversy surrounding yesterday's announcement by ECGD, the British government-owned official export credit insurance agency, that it was making a large provision against potential losses on its developing country exposure, underlines a different view.

By bringing into sharp focus the difference between banks and export credit agencies, it shows that, in the last analysis, creditors themselves do not necessarily regard themselves as equal at all.

The provision, amounting to \$539.5m, took ECGD's total general provisions to \$1.12bn. It has been criticised by the National Audit Office (NAO), partly on the grounds that it does not follow the matrix set last year by the Bank of England as a formula for calculating provisions to be created by commercial banks.

Had ECGD followed this admittedly imprecise formula, its total provision would have worked out much higher.

There is no doubt that ECGD's top management is disconcerted by the NAO's decision to qualify ECGD's accounts accordingly. Yet it is equally quick to counter the suggestion that it should behave just like a commercial bank.

Financial year	Total Business Insured	Percentage of UK non-oil exports insured	Premium Income	Claims paid	Recoveries	Reserves
1982/3	19,090	23.9	344.2	584.1	103.6	862.5
1983/4	17,706	28.6	368.3	474.3	132.7	610.3
1984/5	17,122	25.3	368.3	548.9	327.3	400.3
1985/6	16,814	23.3	374.5	777.1	370.8	583.2
1986/7	13,850	19.6	357.2	808.4	348.5	301.2

banks, and we're not a bank, said Mr Malcolm Stephens, Chief Executive.

In fact there are a number of important distinctions between official export credit agencies such as the ECGD and commercial banks. ECGD does not go in for balance of payments finance and all its exposure is trade related, which most banks do not agree in the safest form of lending. It has no depositors or private shareholders to consider.

Because it is owned by the government, its solvency or ability to pay its bills is not in question. It can operate on much longer time horizons than commercial banks, and, in negotiating with creditors, it combines with other governments through the Paris Club, which gives it more clout.

If all these factors explain why ECGD has not felt impelled to create as large a provision as the banks, there is still, however, something of an academic

flavour to the controversy created by the NAO qualification. The provision was taken out of its balance sheet rather than its latest declared trading result, which was itself a further reason for NAO criticism.

Because most of it relates to claims already paid out, it has had no immediate impact on the level of borrowing from the government's consolidated fund. It has reduced ECGD's net assets to \$201m from \$568m, but such is the financial structure of ECGD that this will not affect its ability to expand by underwriting new business.

In some ways therefore it provides a much-needed distraction from the generally disappointing results just announced for the year ended March 31 1987. The trading result slipped to \$177.5m from \$238.6m, though it was still higher than the \$83.3m registered in 1984-85.

More importantly, its market share fell to 19.6 per cent of

UK non-oil exports from 23.3 per cent. Short-term business insured fell by roughly \$1bn to \$10.5bn and medium-term layer credits by some \$500m to \$1.95bn.

ECGD stressed yesterday that it expects business volume to recover, particularly now that it has become more aggressive in marketing its short-term operations and faster in turning round insurance applications from exporters. New business is also profitable. Yet claims, most of which arise from old business caught up in the debt problem, continue to run at a high level, rising last year to \$803m from \$777m.

The sharp increase in its general loss provision is simply a measure of its increasing fear that some of these claims will not eventually be recovered.

This is coupled with a desire to express this fear as realistically as possible in its accounts. Despite the careful distinction drawn by the ECGD

between its business and that of banks, one of the reasons it gives for increasing its provision was the sharply higher provisions taken by banks over the past year. Mr Fred Chapman, who is in charge of its finances, says these "increased in our perception the risk of default, particularly in relation to interest."

With little objective information to go on, the problem still lay in assessing quite how large the provision should be. ECGD is clearly worried by the thought that too high a figure would give a signal to debtors that it was preparing to write off its claims. It has been careful not to illustrate its methodology by providing figures for particular countries.

One possible interpretation of its decision to take a lower provision than those of the banks is that banking provisions are now too high. But another is a conclusion that at the end of the day export credit agencies face a better chance of recovering their funds than other lenders. As commercial banks withdraw from the lending process, debtors may increasingly turn to the official agencies for new funds. They are thus likely to be more disciplined in servicing export credit debt.

The debt problem is a long way from resolution, however, and it may be decades before anyone can tell for sure, which of these two arguments is correct.

Nissan sets up sales subsidiary in Italy

BY JOHN GRIFFITHS

NISSAN has set up a wholly-owned sales and distribution subsidiary in Italy, partly in preparation for the launch on the Continent this autumn of Bluebird saloons produced at its UK plant.

Cars sourced from Nissan's Washington, UK plant are being classified as European-built from this year and thus no longer subject to Italy's severe restrictions on Japanese car imports. In the past, these have kept total Japanese sales in Italy down to 2,000-3,000 cars.

However, Nissan already has a larger presence in Italy than most other Japanese manufacturers because of the several thousand Patrol four-wheel-drive vehicles and Vanette panel vans it sells, also quota-

free, sourced from Nissan Motor Iberica, its 80 per cent-owned Spanish subsidiary.

The new company, Nissan Italia, will be capitalised at L4bn (\$3.27m). Nissan Motor Iberica will have a 51 per cent stake and Nissan Motor Company itself 49 per cent.

A sales target of 6,000 Patrols and Vanettes has been set for Nissan Italia's first year of operations. However, Nissan has yet to state a target for car sales. It expects to produce about 50,000 cars in the UK this year, some 10,000 of which are expected to be exported to the Continent, starting this autumn.

Nissan Italia's headquarters is to be in Rome, with a second office in Milan.

Aluminium smelter for Venezuela

ALCOA, the US aluminium company, and other investors plan to build a new aluminium smelter in Venezuela with production capacity of 120,000 metric tonnes per year, Joe Mann reports from Caracas.

The plant will cost about \$375m and is expected to come on stream in 1990.

Alcoa will hold 40 per cent of the stock, Sural, a private, US-owned Venezuelan aluminium producer, 40 per cent, and CVG, a Venezuelan government agency, 20 per cent.

TV makers take on Japanese

BY PAUL BETTS IN PARIS

EUROPE'S leading television equipment manufacturers are intensifying efforts to frustrate Japanese ambitions to dominate the market for high definition television.

After joining forces in a European Eureka project to establish a common European production standard for high definition television transmission, the European partners will present their project before the US Federal Communications Commission (FCC) in Washington today. They include Thomson of France, Thorn-EMI, Philips and Bosch.

Their aim is to reinforce an increasing number of American broadcasters and television equipment manufacturers opposed to the adoption by the US of a high definition television production standard based on Japanese technology.

The change of attitude follows the decision of the European Community to develop its own European standard rather than accept a compromise world standard based on Japanese technology.

Japanese companies had built up support in the US for adoption of their proposed world high-definition television standard, largely as a result of the co-operation in this field between CBS and Sony.

Mr Jean Caillet, president of Thomson International, said the change of heart in the US towards the Japanese standard could lead to a situation in which there would be three separate standards in the US, Europe and Japan. This would undermine the threat of Japanese dominance in this key market.

But the Japanese are clearly not finished yet. Indeed, a recent vote by the American Television Systems Committee, representing US manufacturers and broadcasters, still approved by 28 to 11 the proposed Japanese-based world production standard.

But Mr Caillet said it was encouraging to find broadcasting groups like ABC, NBC and the National Association of Broadcasters and manufacturers like Zenith, North American Philips and RCA voting against the Japanese standard.

For Thomson, the stakes are high. Following the French state-controlled group's expansion in the television market with the acquisition last year of Thorn-EMI's consumer electronics business and then of the RCA consumer electronics business from General Electric of the US.

Hong Kong's exports continue rapid growth

BY DAVID DODWELL IN HONG KONG

HONG KONG'S exports continued to rise in December at the breakneck pace that has characterised the whole of 1987, confounding expectations that sales would slow following the worldwide stock market crash.

Total exports, which include domestic exports and re-exports jumped to HK\$37.5bn in December, a 41.3 per cent rise on the year.

Imports continued to soar, reaching HK\$38.2bn, a 41.3 per cent increase on December 1987, and giving a visible trade deficit in December of HK\$1.7bn.

Domestic exports for the full year amounted to HK\$196bn, up by 26.3 per cent from HK\$154bn in 1986.

Re-exports for the year were HK\$125bn, up 40 per cent on 1986, taking total exports to HK\$375bn - up by almost 37 per cent from HK\$276.5bn in 1986.

Imports for the year amounted to HK\$377.9bn, up 37 per cent from HK\$276bn in 1986, leaving the territory with a visible trade surplus of HK\$98bn on total trade of HK\$755bn. The visible surplus last year was HK\$457bn.

Hong Kong officials will no doubt be keen to point to this balance in response to US complaints over Hong Kong's bilateral trade surplus, which may pass HK\$70bn in 1987.

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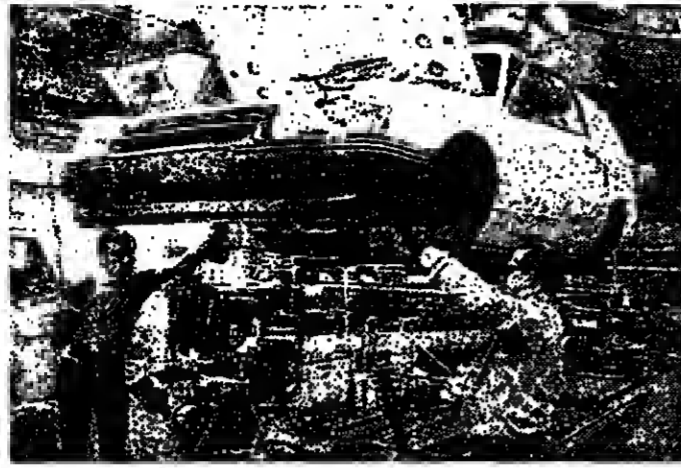


UK NEWS

Ford given deadline for national pay strike

BY CHARLES LEADBEATER

FORD MOTOR Company's 32,500 manual workers in Britain will start a national strike from Monday, unless the company improves its three-year wage offer, which is tied to far-reaching changes to working practices. Negotiations resume tomorrow.



Van assembly at a Ford plant in Liverpool

It would be the first national strike the company has faced since a nine-week overtime ban in 1978. The decision to set the deadline for action follows secret ballots last week, in which manual workers voted for strike action by 24,981 votes (88 per cent) to 3,339 (12 per cent). The majority is one of the largest since secret pre-strike ballots were introduced in 1984.

Mr Mick Murphy, the Transport and General Workers' Union national automotive officer, and the unions' lead negotiator, speaking after a meeting of union officials which set the deadline for action, said a national strike would be tragedy the unions wanted to avoid. But he gave a warning that it was inevitable if the company did not negotiate realistically. Union officials predicted that many plans would walk out on Friday should the talks breakdown.

had also been angered by the company's proposals for far-reaching changes to working practices including the introduction of team working, flexibility between skilled and unskilled workers, temporary workers to meet peaks in demand and quality discussion groups akin to quality circles. Union negotiators believe the company may drop some of its most contentious proposals, such as the introduction of temporary workers, and attempt to drive a wedge between skilled and semi-skilled workers, by making an improved offer to skilled workers to dampen their hostility to its proposed changes to working practices. Officials said most workers were opposed to an agreement spanning three years. It is thought likely that the unions would continue to negotiate on

the basis of a two-year offer. While the strike vote will strengthen the unions' hand in negotiation, the vote may also constrain union negotiators' ability to compromise in the talks. Pay negotiations at Vanxhall Motors were plunged into confusion yesterday after manual workers at the company's Luton car plant overwhelmingly rejected the company's two-year pay offer, despite union negotiators' recommendation to accept. Electricians at Luton and the company's Ellesmere Port plant, in north-west England, have rejected the offer, and skilled maintenance workers have rejected its proposal to introduce a triple shift pattern. But manual workers at Ellesmere Port have accepted the agreement.

DOUBTS OVER ADEQUACY OF PROVISIONS FOR THIRD WORLD LOSSES

Auditors qualify export credit results

BY PETER MONTAGNON, WORLD TRADE EDITOR

BRITAIN'S National Audit Office, which is responsible for auditing the accounts of government departments, has qualified the latest results of the Export Credits Guarantee Department on the grounds that its provision for losses against developing country exposure may be inadequate. ECGD said yesterday that results for the year to March 31, 1987 showed a sharp \$589.5m increase to \$1.15bn in its general provision for losses, but Mr Malcolm Stephens, its chief executive, said the audit office was uncertain about the adequacy of the provision and disagreed with the accounting treatment of it. Mr Stephens told a press conference that he could give no further details

before the ECGD's results were formally published next week. However, the NAO is concerned that the provision is lower than that which ECGD would have posted had it followed guidelines for banks established last year by the Bank of England. It has also criticised the ECGD for not incorporating the provision into its trading result which shows a surplus of \$177.5m compared with \$238.6m in the previous year. The dispute over ECGD's accounts throws into sharp relief both its large \$4.5bn exposure to developing countries in debt difficulty and the difficulty of assessing the ultimate risk of loss to the taxpayer in the event

of some of its claims proving irrecoverable. Mr Stephens said that taking its general provision together with existing specific provisions for loss meant that its total provisions were equivalent to 21.7 per cent of claims paid and expected to be paid. Had the Bank of England guidelines been followed the provisions would be between \$500m and \$900m higher. However, he added: "There is no reason to think that we should provide on exactly the same basis as the banks." With the exception of Canada's Export Development Corporation, other leading official export credit agencies did not make loss provisions, he

said. "We do expect overseas debtors to pay in full." In general, he said, ECGD's latest accounts were "quite sobering." The share of non-oil exports guaranteed by the Department in its latest year fell to 19.8 per cent from 22.3 per cent previously. Claims paid rose to \$869.4m from \$777.1m and "will not be significantly lower" in the current year. Overseas borrowing from the Government increased to \$1bn from \$652m, and net assets fell to \$201m from \$563m after the increased provision. However, business volume is expected to recover in the current year, he said.

Analysis, Page 6

Industry confident, but growth may slow

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

EMPLOYERS yesterday delivered a confident assessment of the outlook for manufacturing industry, but said that the recent turmoil on financial markets would contribute to a slowdown in growth. The Confederation of British Industry combined the assessment with an attack on the Government's plans for a steep increase in electricity prices and with a plea for lower taxes on industry to enable it to bridge a "massive investment gap" with its overseas competitors. In its latest Quarterly Trend survey the employers' organisation said that prospects for output, orders and investment remained generally favourable, despite signs of a sharp weak-

ness in industry's export performance. Britain's manufacturing output would "continue to grow strongly but at a more moderate and sustainable rate after the particularly rapid growth over the past year", the CBI said. At the same time the buoyancy of orders reported by Britain's trade position, while evidence of a hardening in cost and price pressures was also a matter for concern. Fears that tomorrow's trade figures may show a widening of the current account gap have

generated some pressure on sterling over the past two days. Thus, and the upward pressure on costs and prices, suggest that on present trends Mr Nigel Lawson, the Chancellor of the Exchequer, will adopt a fairly cautious tax-cutting stance in his March budget, despite the current buoyancy of government revenues. Mr John Banham, the CBI director general, said that yesterday's survey should, however, calm the fears of "overheating" which had troubled financial markets for much of last year. That, he hoped, would pave the way for further falls in interest rates to levels more in line with those of Britain's competitors.

Details, Page 18

Kinnock taunted by Thatcher over health figures

By Tom Lynch

MRS MARGARET THATCHER, the Prime Minister, yesterday challenged Mr Neil Kinnock, the Leader of the Opposition, to deny any of the statistics being used by the Government to manage the National Health Service.

The issue was again dominated by policy scenes in the House of Commons with Conservatives welcoming Mrs Thatcher's decision to supervise the current review of the health service. Labour, however, accused her of cowardice in refusing to meet a delegation from the nurses' unions. Mrs Thatcher said the unions would "shortly" meet Mr John Moore, the Social Services Secretary. When Labour MPs asked Mrs Thatcher, who seemed in a more relaxed mood than in previous sessions, to tell them: "I am delighted people always want to see me. I am accused of dictatorship and all sorts of things. We have a lot of most excellent ministers on the Government side."

Mr Kinnock said people wanted to see her because she was "the architect of the crisis." He challenged Mrs Thatcher: "Why won't you see these people? Why do you treat the nurses with such contempt? Who can believe your so-called review of the NHS can slam the door in the face of the people best placed to know the problems of health care and funding because they have to deal with those problems every day of their working lives?"

Options dealer resigns after admitting £3m loss

BY CLIVE WOLMAN IN LONDON

SMITH NEW COURT, the UK's largest independent securities firm, yesterday announced that another of its traded options dealers had resigned, after confessing to the concealment of a trading loss of \$3.05m, which originated from the October stock market crash. Only last Thursday, Smith New Court announced that one of its most senior traded options dealers, Mr Mark Lee, resigned after he too admitted concealing a loss of \$1.25m from dealing in traded options on blue chip UK equities. The resignation announced yesterday was of a more junior dealer, aged about 26, who had been with Smith New Court, one of the three largest equity market-makers, for three years. He dealt in traded options based on the level of the FT-SE 100 UK stock market index. He first started to conceal his position after suffering a large loss during the stock market crash of October 19 and 20 through buying call options on the FT-SE index, in expectation of a market rise.

In contrast to most large securities firms, Smith New Court has never imposed strict limits on the positions taken by its traders and for that reason, their positions and risk exposure are not monitored by computer. Instead the dealers enter their positions manually in one of two books, one for active trading positions and one for longer-term arbitrage positions. This particular dealer transferred some of the larger loss-making deals to the long-term book at falsified prices, in the hope that ultimately he would recover the money. Normally the prices in the book have to be reconciled with the prices paid by the back office when it settles the bargains with other firms. But, according to Mr Michael Heath, managing director in charge of operations, the dealer was able to by-pass the back office controls by asking a junior clerk to make adjustments on the grounds that there had been an error. Mr Heath said the discovery of the losses was made possible by the installation of a new computerised system last week.

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Costs against settling insurance broker are deductible from credit to co-defendant

BANQUE KEYSER ULLMAN SA v SKANDIA (UK) INSURANCE CO LTD
Queen's Bench Division
(Commercial Court)
Mr Justice Steyn
January 20 1988

A PLAINTIFF who receives payment from one of two defendants in settlement of his claim cannot recover more than his actual loss and must credit any excess to the sums due from the other defendant. But first the payment must be allocated to any separate claim the plaintiff may have against the settling defendant, without pro-rata allocation as between damages, interest and costs, so that in the absence of agreement to the contrary costs in the separate action must be deducted before credit is given.

Mr Justice Steyn so held when giving reasons for his decision made in December 1987 as to what credit was to be given by insured banks, Banque Keyser Ullman SA, Chemical Bank and others, for money paid to them by Lloyd's brokers, Ernest Notcutt & Co Ltd, under a settlement agreed in an action in which the banks claimed against insurance companies, Skandia (UK) Insurance Co Ltd, and Westgate Insurance under policies arranged by Notcutt (see [1988] 2 FTLR 801).

HIS LORDSHIP said that in the action the banks had succeeded on liability issues as to quantum and interest were resolved by agreement between the banks and one insurer. As between the banks and the other insurer, Skandia, one substantive issue was outstanding, namely what credit must the banks give for £10.6m paid by Notcutt under the settlement.

As between Chemical Bank and Skandia the total sum received by the bank was £3,066,260.

Chemical rightly conceded that a plaintiff who had a claim against two defendants could not recover more than his total loss, and must therefore give credit for any sum received from one defendant towards satisfaction of the claim.

It therefore conceded that it should give credit for the sum received under the Notcutt settlement. But, it submitted, if it could establish additional separate claims against Notcutt, the payment must be allocated first to such additional separate claims and credit must be given only for the excess necessarily referable to the overlapping claim.

Chemical would have recovered damages of at least £3,066,260 against Notcutt if the matter had not been settled. But Chemical submitted that the credit must be reduced by the amount which it had against Notcutt, including one for £482,156 agreed costs of its action against Notcutt, and one for £416,000 unrecovered costs of the action against Skandia.

The first issue as between Chemical and Skandia was whether the costs of the action against Notcutt ought to be deducted from the credit to be given. Notcutt was liable to Chemical on the ground of vicarious responsibility for the fraud of an employee. It would have been liable in full for the agreed costs had the matter proceeded to trial against it.

The principle appeared to be that if a plaintiff who received payment from one of two tortfeasors established an additional separate claim against him, the payment was allocated first to that claim, and credit must be given in favour of the second tortfeasor only for the excess necessarily referable to the overlapping claim (see *CMV Townsend (1984) 27 BCLR 26* and *The Morgengry (1980) 1 P 2*).

But Skandia resisted such a conclusion. It submitted first that on a proper construction of the settlement, the whole amount received must be attributed to damages and interest only.

The terms of the settlement expressly provided that recovery against Notcutt would be in full and final settlement of the banks' claims "including claims for costs".

Those words could not be treated as a sham. It would be wrong to read the contract as though they were not there. There was nothing in its terms to displace the general principle.

Alternatively, Skandia submitted that there should be a pro-rating of sums received under the settlement as between damages, interest and costs.

In *The Morgengry* Lord Justice Vaughan Williams said that it might be that if there were two separate judgments for the same tort and the measure of assessment was the same, a plaintiff could not proceed to execution against one defendant without giving credit for any amounts he had received from the others. But, he said, "in such a case each defendant is liable for the whole of the damages, and it seems to me that cannot apply where the respective defendants are not liable on the same damages, the one being liable for the whole and the other for half."

That decision supported the general principle and authoritatively made it clear that there was no general equitable principle of pro-rating in such cases.

The credit to be given by a plaintiff in favour of one tortfeasor in respect of recovery from another tortfeasor was to be determined by applying the law to the facts. It could not be a matter for judicial discretion.

Chemical's submission was correct. In other words, the agreed costs of the action against Notcutt must be deducted from the recovery made under the settle-

ment before credit was given.

The second issue was whether Chemical was right in submitting that its unrecovered costs of the action against Skandia should be deducted from the credit given by Chemical.

The question was whether Chemical would have recovered such costs against Notcutt if its action had not been settled.

In *Townsend v Stone* Toms the Court of Appeal held that once there was a *prima facie* case that the plaintiff had received money from a second tortfeasor which reduced his loss, it was for him to show that the payment related to some separate claim against the second tortfeasor.

That involved showing that the separate claim was sustainable on the facts and in law.

Chemical's argument, that it would have recovered against Notcutt costs which were disallowed as a matter of discretion against Skandia, ought not to succeed. It was not a reasonably foreseeable head of loss, and its recovery in an action against Notcutt was not demanded by the dictates of common sense justice. It was too remote.

The same rulings were made in the case of the other banks.

For Chemical Bank: Nicholas Strauss QC (Slaughter & May)

For the other banks: John Griffiths QC, Mark Haggood and Hodge Malek (Hopkins & Wood)

For the insurers: Richard Yorks QC, Crawford Lindsay QC and C A Cory-Wright (Herbert Smith)

By Rachel Davies
Barrister

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APPOINTMENTS

APPOINTMENTS

George Wimpey board posts

GEORGE WIMPEY has made the following appointments to the group's executive board: Mr C.S. Gill, Mr D.J. Holland, Mr G.M. Slater, Mr D.M. Fenton and Mr T.S. Ross. Mr Gill and Mr Holland are joint managing directors of Wimpey Homes. Mr Slater is managing director of the UK operations of Wimpey Construction. Mr Fenton is group company secretary and Mr Ross deputy chairman of Wimpey Asphalt and Wimpey Waste Management.

WILLIAMS HOLDINGS has appointed Mr Howard Dyer a main board director. He was appointed president of Williams Holdings Inc in July.

Mr Anthony J. Sumner has been appointed to the main board of TI GROUP. He will have overall responsibility for a number of key central management functions including human resources, legal affairs, property and public relations. He joins from Kleinwort Benson, where he was the director responsible for investment in unquoted companies.

Mr Rodney England has been appointed operations director of H.J. HEINZ CO from February 1. He was manufacturing director with Mars in Germany.

MOORE STEPHENS has appointed Mr Christopher Shaw as a partner in the Guernsey office.

WINDSOR TRUST MANAGERS has appointed Mr Richard Pease as senior fund manager. He joins from the central board of finance for the Church of England.

Mr Barry Dean has been appointed managing director of KLEINWORT BENSON DEVELOPMENT CAPITAL. He succeeds Mr Anthony J. Sumner who has been appointed to the main board of TI GROUP. Mr Dean has been a director of KBDC for three years. His responsibilities include start-up finance, development capital, buy-outs, buy-ins and acquisition finance. At TI Mr Sumner's responsibilities include human resources, legal affairs, group planning, and TI's applied technology facilities at Hinxtion Hall, Cambridgeshire.

THE CONDER GROUP has made the following managing director appointments: Mr John Davies, group production;

Mr Dick Lowery, superstructure; Mr Roy Parance, projects; and Mr Graham Pesty, products.

At the MORGAN CRUCIBLE COMPANY Dr Bruce E.S. Jones becomes a director, and Mr D.A.M. Dunbar has resigned.

The chief executive of EAST-SOURNE MUTUAL BUILDING SOCIETY, Mr Colin Lusk, has been appointed to the board, succeeding Mr George Ferguson who has retired.

Mr Keith Glover has been appointed head of NATIONAL WESTMINSTER BANK's syndications unit. He succeeds Mr Brian Chamberlain who is retiring at the end of January. Mr Glover was director of money markets at County Nat-West.

Mr Richard D. Green will join DAIWA INTERNATIONAL CAPITAL MANAGEMENT (UK) on February 1 as an executive director and a chief investment officer to head the global investment management activities. He was a director at Hill Samuel Investment Management.

RUSH & TOMPKINS has appointed Mr Peter Coleman as managing director of its restructured southern region. He joined the company in 1985.

PANMURE GORDON BANKERS and PANMURE GORDON & CO. have appointed the following as directors of both companies subject to regulatory approval: Mr C.P. Coyne, Mr D.E.J. Foster, Mr A. Learoyd, Mr W.A. Soames, Mr C.D. Stallard, and Mr C.J. Wilkinson.

Mr Mike Djanogly has been appointed deputy managing director, and Mr Stuart McBride made a director of TULLETT & TOKYO (MONEY MARKETS) CO. Mr Barry Lohian has been appointed managing director of Tullett & Tokyo (Gilt).

Mr Robbie Robinson has become president of the WILLIAM BARRETT GROUP. Mr Noel Robinson has been appointed group chairman/chief executive, and his brother, Mr Peter Robinson, is made group managing director, as well as design and development director. Mr Peter is succeeded as managing director of Nu Trend Upholstery by Mr Terry Lewis.

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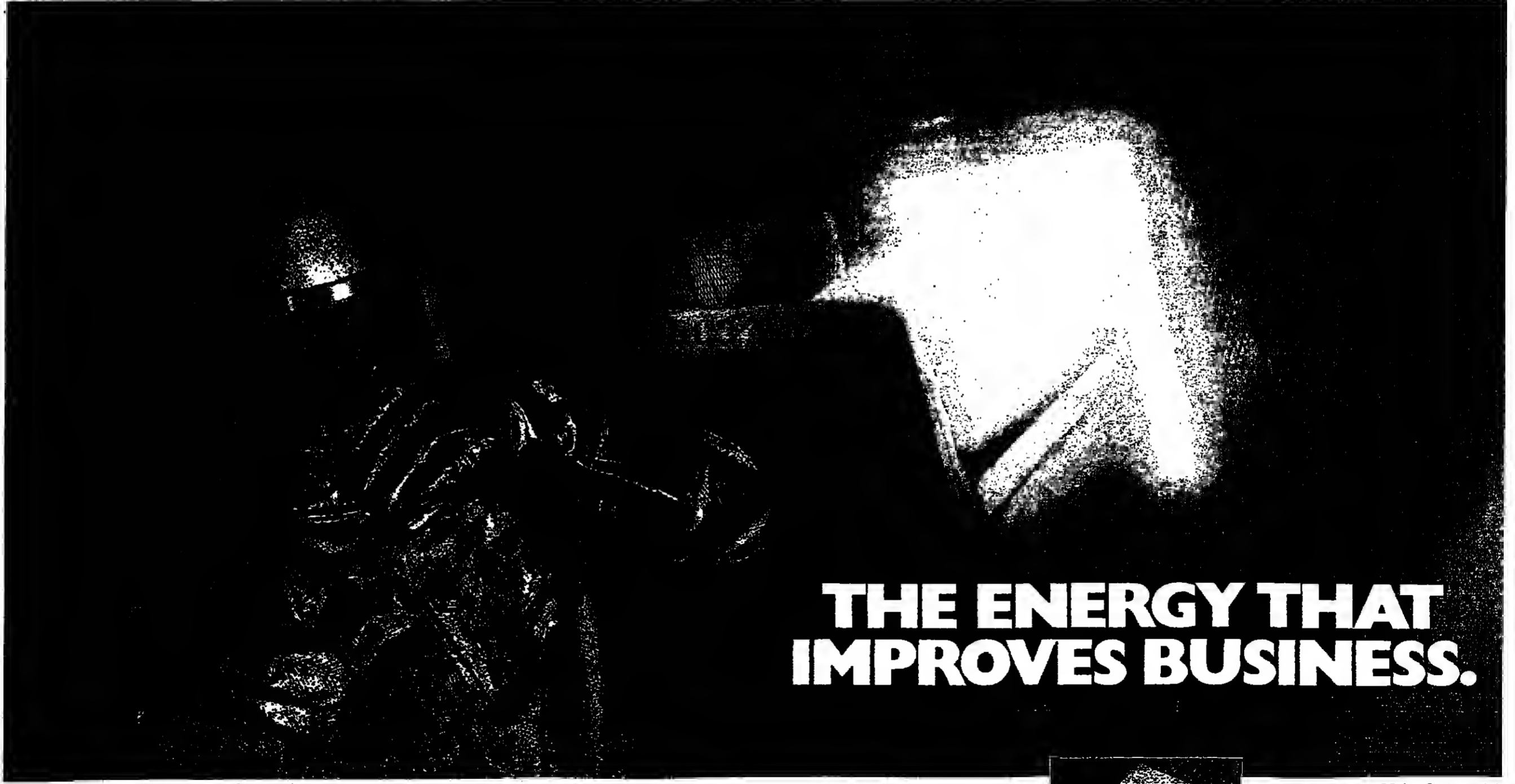
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UK NEWS

Debt write-off for Rolls-Royce sale questioned

BY PHILIP COGGAN

A BATTLE behind the scenes over the privatisation of Rolls-Royce, the aerospace engine manufacturer, was revealed yesterday when the National Audit Office released a report which questions aspects of the company's flotation last May.

The Audit Office suggests that a capital injection by the Government before privatisation of £283m might have been unnecessarily high.

The report reveals that Sir Francis Tombs, Rolls-Royce's chairman, had said in discussions with the Government that he would not be prepared to take the company into the private sector if it was left with substantial debt.

In the light of his arguments, the report says that the Department of Trade and Industry "reluctantly agreed to provide a capital injection that would give a nil gearing" - that is, no borrowings.

Samuel Montagu, the DTI's merchant banking advisers, had originally proposed a capital injection of £140m, leaving Rolls-Royce with 25-30 per cent gearing. This figure was revised upwards to £220m in the autumn of 1986 (which would have left Rolls-Royce 11 per cent geared) but Sir Francis was not satisfied.

In the end, the capital injection of £283m was achieved by

the issue of 166.6m extra shares at the offer price. The office's report says that there must be some doubts whether a capital injection of that size was needed, given that Samuel Montagu had taken account of Rolls-Royce's commitments before deciding that £220m would be adequate.

However, the National Audit Office notes the impossibility of determining what the proceeds of the offer might have been had a lower level of capital injection been provided.

There is also a question mark over the offer price chosen. The office says that the ideal premium of 10 per cent and therefore, in Rolls-Royce's case, the initial premium of 4 per cent may have been too high. But the report points out that measurement against that yardstick was effectively ruled out by the stock market crash. By November, the shares were at a 34 per cent discount to the offer price.

One positive aspect comes out of the report. The cost of the sale, at 2.1 per cent of the proceeds, was lower than that of any previous privatisation issue because there were no shareholder incentive schemes. After competition, commissions were set at 0.061 per cent compared with 0.111 per cent for British Airways and 0.176 per cent for British Gas.

British Steel plans worry independents

BY NICK GARNETT

MANY OF THE 180 independent steel stockholders are increasingly anxious that British Steel may dominate their market on privatisation. Their fears emerged yesterday at an annual gathering of manager-members of the National Association of Steel Stockholders.

The Government restricts BS to no more than 15 per cent of UK steel stockholding and distribution.

However, BS on privatisation, due at the end of next year, could start to raise its stockholding. Management has said it will do so substantially.

The industry believes BS controls about 20 per cent of UK distribution. Mr Richard Rawlings, Nass executive director, yesterday said many members would not relish BS raising its stake above 25 per cent.

He believed BS would probably settle at about 30 per cent to 35 per cent of the distribution market, giving it more influence on issues such as pricing.

Several Nass members believe BS will try to raise its share closer to 60 per cent. In many European countries, steelmakers control about 60 per cent of domestic steel stockholding. Mr Rawlings said continental steelmakers may soon buy into UK

stockholding.

Nass members, which include BS's stockholding business, handle more than 4m tonnes of steel used in the UK. In 1986 they handled 47 per cent of domestic deliveries from UK mills, the rest distributed by the mills themselves.

Independents have big shares of some products but are much less important in others.

Power among independents is increasingly concentrated through acquisitions and mergers, as companies like C. Walker, ASD and Brown & Tawse grow at the expense of others.

The biggest independent is Blackburn-based Walker, which acquired GKN's stockholding interests last year and controls about a quarter of UK distribution.

Smaller companies say C. Walker has a role establishing price levels.

Mr Michael Worley, Nass vice-president, said it was essential for the industry's and consumers' wellbeing that there was an ample number of strong independents.

Mr Dayrell McArthur, Nass president, said stockholding, with expansion of output in construction and car making, was in very good shape.

Electricity consumer safeguards plan

BY MAURICE SAMUELSON

THE GOVERNMENT is planning to impose a system of penalties on the electricity industry if it gives customers a poor service after it is privatised.

The penalties would be included in the legislation on the change of ownership, to be presented to Parliament before the end of the year, Mr Michael Spicer, junior energy minister, said last night.

Speaking to the Association of Manufacturers of Domestic Electrical Appliances, he gave no clues on how the industry would be restructured. However, he stressed that the Gov-

ernment was committed to securing the maximum degree of competition.

Commenting on the re-election of Mr Arthur Scargill as president of the National Union of Mineworkers, he said: "It is worth reminding ourselves that a privatised electricity industry will be free to buy its coal in the best markets."

In addition to promising electricity workers "generous share purchase schemes", Mr Spicer said the Government was determined that customers would also benefit from the industry's privatisation.

'Strongest evidence' against Guinness

Financial Times Reporter

THE CASE for saying that Guinness took part in a concerted party purchase of 10.6m Distillers' shares was one of the strongest that had ever been before the City Takeover Panel, the High Court was told yesterday.

Mr Roger Buckley, QC, for the panel, said that any one of half a dozen pieces of evidence would have pointed to a concerted party in the closing stages of the takeover battle for Distillers in April 1986.

Guinness has asked the court to rule that the panel acted prematurely on inadequate evidence. It is now to be with-drawn from the list of all the oil companies.

Formula Shell, developed to improve fuel economy, the responsiveness and cleanliness of engines, is now to be withdrawn from the list of all the oil companies.

After long research, it was discovered that adding small amounts of potassium to the fuel helped the flame to spread more quickly through the fuel and air mixture within the cylinder.

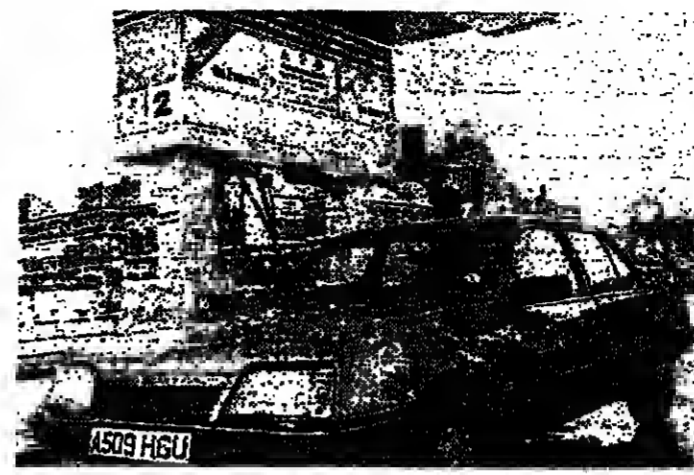
To their delight, Shell scientists discovered that this fuel helped the engine to run smoothly, running more responsively and better idling characteristics as well as a small but useful gain in fuel economy of about 2.4 per cent.

When the news of the discovery first spread through Shell,

Max Wilkinson reports on the demise of a key development in motoring marketing

Shell's premium petrol formula misfires

AT 3,000 petrol stations throughout Britain today, the bright red and yellow signs advertising Formula Shell were being peeled away from pumps at a total cost of £500,000.



Filling up for the last time: Formula Shell was found to have interfered with the smooth running of some Vauxhall cars

The withdrawal of the Formula Shell additive from the company's premium range of gasoline in Britain and the rest of the world is the unhappy end of a story that began in the early part of this decade in the company's research centre at Thornton, Cheshire, and later in six other Shell laboratories scattered across the world.

The fall of Formula Shell after less than two years on the market is also a serious setback to the group's technical and marketing effort to re-establish brand loyalty with a motoring public that had become far too blasé about the claims of all the oil companies.

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When the news of the discovery first spread through Shell,

it was greeted with some rapture by the marketing men. They saw in it the answer to a problem that had dogged them for 15 years: how to persuade motorists that petrol brands are different products and not just the same stuff marketed under different names.

After the Second World War when the government-controlled, standard blend "Pool" petrol was phased out, petrol companies in the UK experimented with a range of interest in different brands.

Suddenly in the 1950s, oil refiners were free to experiment with the precise mixture and fine tuning of the 300 or more hydrocarbon compounds

found in petrol.

The new grades were of generally superior quality. However, by the late 1960s oil companies had all caught up with each other and differences in quality were perceived to be minimal.

Competition switched emphasis to price and throughout the 1970s petrol companies tried, with only moderate success, to boost the loyalty of customers through gifts, stamps and other gimmicks.

However, as lower prices reduced margins, petrol stations became sadder, standards of service deteriorated and motorists became much more interested in the latest discount on pump price than in the brand they were buying.

By the beginning of the 1980s, the three leading UK retailers realised nobody could win a big increase in market share by discounting prices because the competitors would do the same.

The effort, therefore, shifted to cost-cutting by reducing the spread of small sizes and trying to concentrate pumps in large, accessible service stations that could be more economically filled. Stations were spruced up and a general effort was made to improve what the marketing men call "the petrol-buying experience".

However, the petrol companies still lacked one vital thing - a product that was demonstrably different from that of any other.

Formula Shell was the answer. The group, however,

was characteristically cautious before launching it.

Exhaustive laboratory tests were followed by road trials using 450 new and used cars, driven over 6m kilometres and consuming altogether 600,000 litres of fuel. Ten months of consumer reaction trials followed.

Eventually, after \$75m of research, development and promotion, the product was launched in May 1986. The launch cost in the UK alone was about \$5m.

Mr John Bamberg, Shell's UK manager of retail sites, says that the reaction was highly favourable, with strong evidence from surveys that customers were developing a renewed loyalty to the brand.

Nobody yet knows how serious the setback will prove. Mr Bamberg says bravely that even without the Formula additive, the Shell petrol is superior to that of competitors. Perhaps, but that will not be easy for the advertising agencies to put over.

Mr Bamberg says that the paramount consideration was to rescue Shell's good name from the doubts that surrounded its new product.

However, it would be wrong to say Formula Shell is finished. It survives in the premium range as lead-free, and lives to fight another day in Europe when exhaust control legislation eventually bans all lead in petrol.

In unled petrol there is absolutely no risk of any flame hazard, says Mr Bamberg. He'd better be sure.

Irish request for special talks granted

BY KIERAN COOKE, DUBLIN CORRESPONDENT

THE NORTHERN Ireland Office said last night that the British Government was according to an Irish request for a special meeting of the Anglo-Irish conference.

Dublin had asked yesterday for an immediate meeting to discuss British's decision to announce on Monday, not to bring prosecutions against allegations that the Royal Ulster Constabulary operated a shoot-to-kill policy in 1982.

The allegations had led to an inquiry initially conducted by Mr John Stalker, then deputy chief constable of Manchester. Sir Patrick Maybaw, the UK Attorney General, said on Monday that it would not be in the public interest for the RUC officers concerned to stand trial.

The decision caused anger on both sides of the Irish border yesterday. An Irish government spokesman said there was a need for a meeting of the conference, which monitors the terms of the 1985 Anglo-Irish agreement, because of the implications for public confidence in the administration of justice in Northern Ireland, and for cross-border security co-operation.

Mr Alan Dukes, leader of the opposition Fine Gael party, described the decision not to bring prosecutions as astounding, and Mr John Hume, leader of the Social Democratic and Labour Party in Northern Ireland, said it was unbelievable. "What society," he asked, "can withstand the principle

that national security transcends the cause of justice?"

Since the Anglo-Irish agreement was signed, the Irish Government has emphasised that confrontation between nationalist groups and the security forces in Northern Ireland must be ended. It has also sought changes in the judicial system in the north. Dublin officials feel those efforts have been undermined by the attitude of the British Government.

Mr Peter Barry, Irish Minister for Foreign Affairs at the time of the Anglo-Irish agreement, said he would now reconsider advice he once gave - against considerable criticism from some sections in the republic - that nationalists should join the RUC.

First, I welcome this as a step in the right direction."

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Lords criticise EC draft for food inspection code

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

A PROPOSAL for measures to harmonise European food inspection standards, which does not so much as mention the word "hygiene," should be withdrawn and rewritten, according to a parliamentary committee.

A report from the House of Lords select committee on the European Communities, published today, agrees that common inspection standards would help the Community to meet up free trade in foodstuffs.

However, it roundly condemns the European Commission's draft directive on the subject as "obscure" and "inconsistent". As well as lacking reference to hygiene, the draft says nothing about quality standards.

Suggestions on inspection procedures, while referring to personal cleanliness and clothing, exclude other important

factors such as microbiological standards, temperature control and training, the report says.

The committee finds little fault with existing British inspection systems, but it recommends that local authority officials should be given powers to inspect food processing factories. Most monitoring takes place at the retail level.

Evidence to the committee from retailers and local authority representatives suggested that 35,000 factory tests could be as effective as 17m individual checks on packages in shops. Trading standards officers examine about 1m packs a year.

Witnesses told the committee there was little need for manufacturers to fear that their product secrets would be put at risk by official inspectors visiting their factories.

Official Inspection of Foodstuffs, HL Paper 33. HMSO. 58.

EOC launches drive for places on public bodies

BY JOHN GAPPER

A JOINT initiative to increase the number of women appointed to 45,000 places on public bodies was launched yesterday by the Equal Opportunities Commission and the public appointments unit of the Cabinet Office.

A set of guidelines for government departments that make such appointments will advise them to give women a greater chance by considering factors including the "life experiences" of those who have taken a break in their careers.

Last year, 19.6 per cent of the appointments were held by women. Women now form 27 per cent of a pool of suitable candidates for future vacancies prepared by the unit.

The appointments range from places on the BBC board to membership of industrial training boards and wages councils. Half are made by government departments alone and half on outside advice.

Mr Geoffrey Morgan, director of the public appointments unit, said the unit was trying to increase the number of women in its pool by approaching such bodies as companies and voluntary bodies.

He said the initiative was supported by Mrs Margaret Thatcher, the Prime Minister, and was intended to bring more talent to public bodies rather than to boost the appointment of women for its own sake.

Baroness Platt, EOC chairman, said she believed the under-representation of women, with their particular qualities and experience, on public bodies was a loss to the nation. Large hotels are without question investing heavily."

Yet there was a slight dwindling of star power among the fanciest restaurants. Brits still has only two three-star restaurants, unchanged from a year ago.

There is a reduction in the number of one-star restaurants, from 53 to 30. Seven lost their single stars, although there were four newcomers. Apart from the Oak Room at the Meridien, those newly starred are Harvey's, in Wandsworth, south of London; the Plough at Clunfield, Oxfordshire; and Morels in Haslemere, Surrey.

Meridien Hotel joins the stars

By Michael Thompson-Noel

FIRST he went ashore. Then stars of joy trickled down his cheeks.

At 38 years of age, David Chambers - executive chef at London's swank Meridien Hotel, in London - yesterday joined the exclusive ranks of Michelin-starred chefs, when the French tyre company published its 1988 Red Guide to hotels and restaurants in Britain and Ireland.

The Meridien in London thus joins the Meridien Hotel in Paris on the one-star list of Michelin's exalted system. The Meridien chain is owned by Air France.

Although world stock markets have edged like a half-cooked soufflé, Michelin says that it detects no shake-out in the higher reaches of the UK restaurant trade.

The new Red Guide covers 5,174 hotels and restaurants in 2,729 locations, against 4,764 establishments in the 1987 guide.

Mr Derek Brown, head of Michelin's UK tourism division, said British cooking is becoming more innovative and imaginative. Large hotels are without question investing heavily."

Yet there was a slight dwindling of star power among the fanciest restaurants. Brits still has only two three-star restaurants, unchanged from a year ago.

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Restaurants to lose their stars included Ma Cuisine in London; Park Lane in London; the Provence in Bournemouth; and the Carved Angel in Dartmouth.

Mr Michel Novatin, general manager of the Meridien in London, said that dinner in the Oak Room cost about \$45 a head, and that the secret was to take oneself too seriously.

His newly starred chef was even more succinct. "I'm choked," Mr Chambers works a 13-hour day and has been cooking since he was 15.

The Guide costs £7.50 and is expected to sell 30,000 copies.

Barry Riley recounts the gradual takeover of Save & Prosper

Fleming courtship lasts 15 years

THE PROPOSAL for Robert Fleming, the merchant bank, to take 100 per cent control of Save & Prosper, the big unit trust group, marks the completion of a process of takeover that has lasted 15 years.

Robert Fleming, privately owned, is to pay some £60m in cash for the 35.75 per cent of S&P it does not already own. That will make possible the integration of the two businesses and in particular the creation of a single investment management operation with £24m under its control.

The original connection arose when Fleming sold his unit trust operations to S&P and took a minority stake. In return, the basis of the relationship was that Fleming would concentrate upon wholesale or institutional fund management for clients such as pension funds, investment trusts and S&P's focus on retail investment business, mainly unit trusts.

There has been speculation over the years that Fleming would float Save & Prosper as a way of capitalising on a big balance-sheet investment. The logic appeared to be that Fleming would use the cash to finance its expansion into the securities business.

Instead Fleming has repeatedly raised its stake. In 1981 it bought interests held by Baring Brothers, another merchant bank, and Atlantic Assets, an Edinburgh-based investment trust, and raised its stake from 22 per cent to just over 60 per cent. Five per cent more was bought from Barings last April.

John Manser: good career opportunities

Paul Bateman: new S&P chief executive

The principal remaining outside shareholders are two more investment trusts, Edinburgh and Foreign Colonial, and the Bank of Scotland pension fund. Those shareholders have been advised in the deal by Kleinwort Benson.

Several S&P directors also have equity interests. The chairman, Mr Cholmeley Messer, and two other directors own shares and options valued at more than \$1m gross by the £6.40-a-share terms of the offer, according to the end-1986 accounts.

Mr Joe Burnett-Stuart, chairman of Robert Fleming, denied that the offer was precipitated

by last October's crash, which hit share prices of quoted unit trust companies hard.

He said an offer was being seriously thought about more than six months ago because of the increasingly overlap of the wholesale and retail activities. "The distinction has become more difficult to maintain."

Areas of potential conflict include the development of unit trust-type products for the institutional market, and the provision of portfolio management services for private individuals, where Fleming has concentrated on a wealthier clientele but where there is nevertheless some overlap.

In fund management there has been a growing need to co-operate in more technical products, such as those involving futures and options, while at the retail level there has for years offered clients a higher interest bank account provided by Fleming.

Another factor is said to have been the difficulty of maintaining an attractive career structure. Save & Prosper's fund management department, which manages \$4.2bn. The merger with Robert Fleming, which controls four times as much, will create more scope.

"We are now at a stage to offer good career opportunities not only in the UK but also overseas," said Mr John Manser, S&P's chief executive. "We believe this will offer better investment performance to our unit-holders."

Mr Manser will become chief executive of Robert Fleming's Fund Management. His replacement at S&P will be Mr Paul Bateman, at present marketing and development director. Mr Burnett-Stuart said the capital required to buy out the S&P minority could be financed internally, including some from hidden reserves. "It won't have any impact on our capital ratios, but the world will notice," he said.

There was no question of the deal being a tying-up operation leading to the flotation of Fleming itself, he said. In the light of recent stock market events, Fleming's position as a private company had been amply justified.

Consent sought for incinerator

By Ralph Atkins

CLEANAWAY, the UK's biggest waste management company, has submitted an application for a £10m liquid and solid waste incinerator at Ellesmere Port, Cheshire.

The plant would supplement Cleanaway's existing incinerator, built in 1973 at another Ellesmere Port site, able to handle about two tons of solid waste and three tons of liquid waste an hour.

Cleanaway, a joint enterprise between GKN and materials handling group, hopes the plant will be in operation from early 1990.

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- Obtaining greater itemisation of travel and related expenditure.
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UK NEWS - EMPLOYMENT

Companies favour new technology

BY CHARLES LEADBEATER, LABOUR STAFF

COMPANIES have sharply increased their use of micro-technology in recent years, according to a forthcoming survey on the employment impact of new technology.

The survey, to be published later this year by the Policy Studies Institute, is in line with previous findings about both the rapid growth of new technology in industry and its relatively widespread acceptance by employees and their unions.

Preliminary results of the PSI study of company use of new technology in 1987 reveal that about two-thirds of factories employing more than 20 people are using micro-electronics in their production processes or products, compared with only 30 per cent six years ago and less than 10 per cent nine years ago.

However, diffusion of new technology has been extremely uneven. Only half the factories employing between 20-49 workers and less than a quarter of very small companies are using micro-electronics, compared with almost all the larger factories employing more than 500 people.

The survey suggests that only a minority are using micro-technology in the greater part of their products or production processes, or are employing the most advanced forms of applications.

It says that lack of technical expertise remains the main

obstacle impeding the use of new technology, in line with previous findings in surveys published in 1981, 1983 and 1985.

According to a paper on the preliminary results outlined to a recent Manpower Services Commission seminar, the skills shortage ranks as the most important problem in all sizes of factories, industrial groups and regions, regardless of whether companies are UK or foreign-owned.

The PSI study suggests that employers might have cut their spending on training in spite of the economy's growth since the early 1980s.

It says that 80 per cent of companies did not send workers other than engineers on training courses between 1985 and 1987. Three earlier surveys covering the period 1979 to 1985, found that about 76 per cent of companies had not sent any of their non-engineering workers on training courses in the previous two years.

The latest survey shows that 49 per cent of companies had not sent their engineers on training courses within the last two years. This is a significant increase on 1985 when 61 of companies said they had not sent engineers for training within the previous two years.

The survey suggests investment in training has not kept pace with the rapid diffusion in new technology since 1979.

Union fails to agree pay settlement

By John Gapper, Labour Staff

BRITISH COAL claimed yesterday that members of Nacods, the pits deputies union, had been "astonished" by the union's decision to hold a pit-head ballot on industrial action over a wage claim.

Mr John Northard, operations director, said that British Coal was referring a 4.2 per cent pay offer to the industry's national reference tribunal, the final stage of joint conciliation machinery.

The ballot of Nacods' 10,000 members was held yesterday after the two sides failed to reach agreement over a proposal to link a pay settlement to an extra two hours overtime each week. Mr Northard said he was "appalled" that Nacods appeared to be ignoring the established conciliation scheme.

The dispute may have some bearing on the issue of six-day working, which the National Union of Mineworkers has been resisting. Nacods claims that the extra overtime provision could free British Coal to implement new working patterns.

• The Prison Officers' Association national executive will this week consider the result of negotiations with the Home Office over manning levels for the introduction of the Fresh Start package of working practices. Talks have been taking place for several weeks following a ballot favouring industrial action by the 19,000 unified grade officers in the POA. The POA is currently taking token industrial action.

Jimmy Burns on a trend towards non-unionism
NUJ action could open chapter of unrest in book publishing

BRITISH BOOK publishing - once a cottage industry where managers were gentlemen and employer-employee relationships were conducted in a "civilised manner" - is close to becoming a new battleground for union representation.

"As a group we have decided that we can deal better with our professional staff on an individual manager-to-employee basis than through the heavily-graded bureaucratic process of trade union collective bargaining," says Mr Paul Hamlyn, chairman of Octopus Books.

Next month, the National Union of Journalists is planning a "day of action" in protest at what it sees as a growing erosion of fair terms and conditions as a result of a trend towards non-unionism in book publishing.

Union anger has so far been focused on the Octopus Group, which in recent weeks has de-recognised the NUJ in three companies it has acquired, although the NUJ also names other companies such as William Collins, Marshall Cavendish and Penguin as organisations where NUJ agreements are being threatened.

Mr Mike Hills, NUJ national organiser for the book publishing industry, says of the de-recognition moves in the industry: "It has become quite apparent to us that this is turning into a groundswell and as a result there is increasing anger and concern."

Senior managers at Octopus deny that they are consciously acting as a catalyst for an industry-wide drive for de-recognition.

They claim, instead, that almost alone among their competitors, they recognised more than 10 years ago that in an increasingly competitive and internationalised market publishing had outgrown the need for organised labour.

One senior executive says: "I don't think any union has a place in the management of a modern company."

Octopus says that it is at the "forefront of profitability, salary progression and full employment."

NUJ officials accept that Octopus employees have had a long established reputation as among the best, if not the best paid in the industry.

However, at a recent meeting of Octopus employees, the talk was of former "perks" such as free lunches, private health insurance and profit-sharing schemes being eroded as part of the company's drive to cut costs and improve upon its market position.

Employees said the company's redundancy terms were poor and criticised the lack of job security offered to them.

Employees are also concerned about the company's plans to extend the use of new technology once it moves to new offices in the spring.

NUJ officials fear that this may preface further and even more radical employee relations moves in the future.

In the manner in which it conducts its industrial relations, as in the way it has pursued an international market, Octopus has never been afraid to break the basic rules of the trade.

The current tensions within the book publishing industry run parallel to changes which have taken place in newspapers, and more recently at TV-am.

Indeed, Mr Hamlyn was once a joint managing director with News International, the multi-national newspaper and broadcasting organisation, and Mr Ian Irvine, Octopus chief executive, was formerly a senior staff member of Express Newspapers.

Mr Hamlyn and his senior management share with News International and TV-am an unabashed contempt for established conventions.

Yet with the exception of the early 1970s, when the NUJ briefly attempted - without success - to insist on a national agreement and a virtual closed shop, union organisation has never had as great an impact on book publishing as it has in the printing or television industries.

More than 30 companies have had collective bargaining, with a special emphasis on maternity rights among the mainly female workforce.

However, this has not prevented book publishing from developing as a highly individualistic industry within which salaries and job descriptions have been allowed to vary considerably.

NUJ officials argue that the Octopus strategy of de-unionisation within the companies it has acquired carries the risk of provoking the kind of industrial militancy that book publishing has so far generally managed to avoid.

Moore invites RCN leadership to talks

BY DAVID BRINDLE, LABOUR CORRESPONDENT

LEADERS of the Royal College of Nursing, the main nurses' union, are to meet Mr John Moore, the Health and Social Services Secretary, next Monday to press for government action on the National Health Service.

The RCN said yesterday it believed it alone among the nursing unions had been invited to talks because it had a long-standing request for a meeting.

However, the Government is likely to have given priority to the RCN also because of the union's no-strike policy. Ministers will be anxious to shore up the RCN's leadership which faces criticism for appearing ineffectual.

Preparations were yesterday beginning at the RCN's London headquarters for the expected

ballot of all 265,000 members on whether to overturn the no-strike policy.

The leadership considers it only a formality for the union's branch at St Thomas's Hospital, London, to collect the 1,000 signatures necessary to requisition an emergency general meeting of the college at which a proxy ballot would be held. The branch voted on Monday to collect the signatures.

The ballot, which will cost the union £55,000, will give RCN members 21 days to vote before the general meeting and is likely to take at least five weeks to complete. It will require a two-thirds majority to overturn the no-strike policy.

While the leadership is confident the policy will be endorsed, it became clear yesterday that there will be a



John Moore anxious to shore up RCN leadership

strong internal campaign to emphasise the disadvantages of industrial action.

In a newsletter being sent to members, the union says: "The RCN is the gentle giant of nursing in the NHS. If it seems slow to awaken, that is because of its size and its commitment to democratic decisions taken by the people elected to represent all the members."

Mr Trevor Clay, RCN general secretary, says in the newsletter: "The RCN road of opposing government by research, steady argument, mobilising public support, lobbying politicians and proposing solutions to NHS problems is the hard option."

Cohse, one of the RCN's rival nursing unions, yesterday came under increased pressure to step up action over the NHS.

Cleaning contractors threaten to cut pay rates

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE MAIN cleaning contractors are threatening to cut pay rates in local government when councils are forced to put services out to tender next year.

It looks increasingly unlikely that the Contract Cleaning and Maintenance Association, the trade group, will establish a voluntary code on pay in local government in the same way as it has in the National Health Service.

One reason for this is that while the minimum NHS pay rate for cleaners is £81.13, the equivalent local government rate is £95.75 because of last year's 10.6 per cent wage rise for council manual workers.

Mr Michael Bizley, CCMA chairman, said: "The problem is that there is now a significant difference between the national local government rate and the commercial rate prevailing in many parts of the country."

In the NHS, most contractors' employees receive remuneration terms markedly inferior to those laid down under Whitley Council arrangements for health authority employees.

However, the 28 CCMA member companies which have won NHS contracts strictly observe a voluntary agreement not to cut pay rates below the Whitley minimum.

The "cartel" arrangement has angered some free-marketisers who say it runs counter to the spirit of contracting-out. However, the contractors point out they often pay local rates above the Whitley minimum to recruit and retain staff.

Mr Bizley said it is "early days" to say whether the pay arrangement will be extended to local government when compulsory competitive tendering for certain services, including cleaning, begins in April 1989.

The CCMA, which has a total of 160 member companies with combined annual turnover of £750m, expects cost savings of 25 per cent to be achieved by tendering in local government. It says the opening up of the local authority market will enable contractors to maintain their present average turnover growth of 33 per cent a year.

Discrimination alleged

BY JOHN GAPPER, LABOUR STAFF

JOB OPPORTUNITIES for black women are severely limited by race and sex discrimination, and many of those in work believe they have little chance of promotion, says a report on employment in Sheffield.

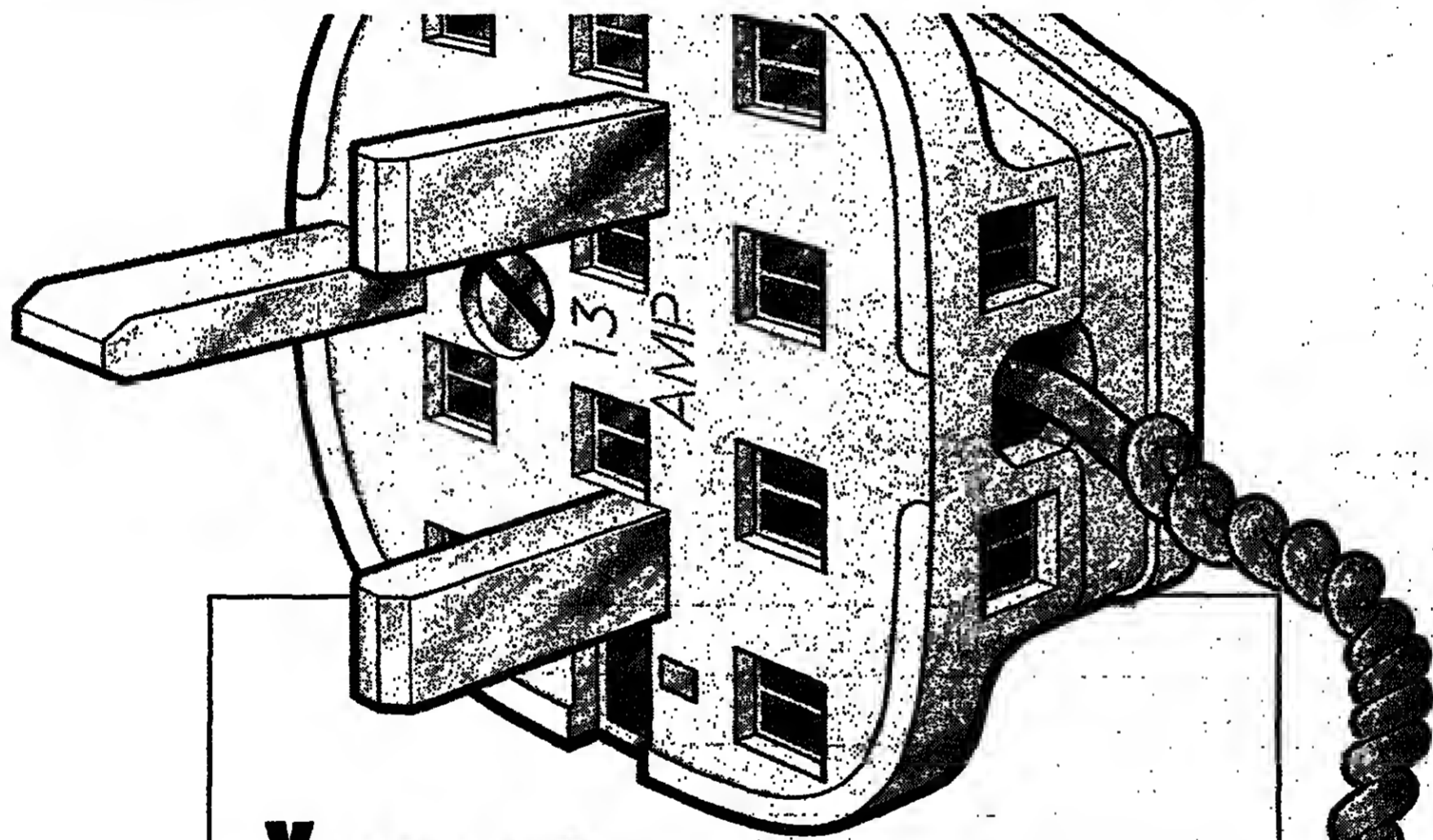
The report, based on national and local surveys, finds black workers are under-represented in three areas selected for study - the retail sector, Sheffield City Council and Sheffield Health Authority.

It reports that a third of black women interviewed in one study said they would apply for retail jobs because they believed employers would reject them on race grounds.

The proportion of black workers in the Sheffield labour force is 4.5 per cent but they form only 1.1 per cent of the council workforce and 4 per cent of those employed by the health authority.

The report, prepared by the employment department of the city council, contains interviews with black workers complaining that they are regarded with particular suspicion on security grounds in retail stores.

• Trade union policies are increasingly taking account of the needs of disabled members, in spite of a poor response from employers in complying with legal employment quotas.



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UK NEWS

Marine and air insurers 'face big income fall'

By Nick Bunker

LONDON'S marine and aviation insurers are facing a big fall in income because of premium rate cutting, according to the Institute of London Underwriters, a trade body for 111 insurance companies.

Environmental care 'good for business'

By Charles Batchelor

A NATIONWIDE campaign was launched yesterday to persuade British companies to improve and landscape derelict sites surrounding their factories and offices.

Scottish fund managers 'beat leading indices'

By James Buxton, Scottish Correspondent

SCOTLAND'S independent fund managers are claiming to have substantially outperformed leading stock exchange indices during the second half of last year.

Office air 'may be hazard to health'

By Fiona McEwan

GOING TO work can damage your health, says a report issued yesterday by Air Conditioning and Ventilation Analysis.

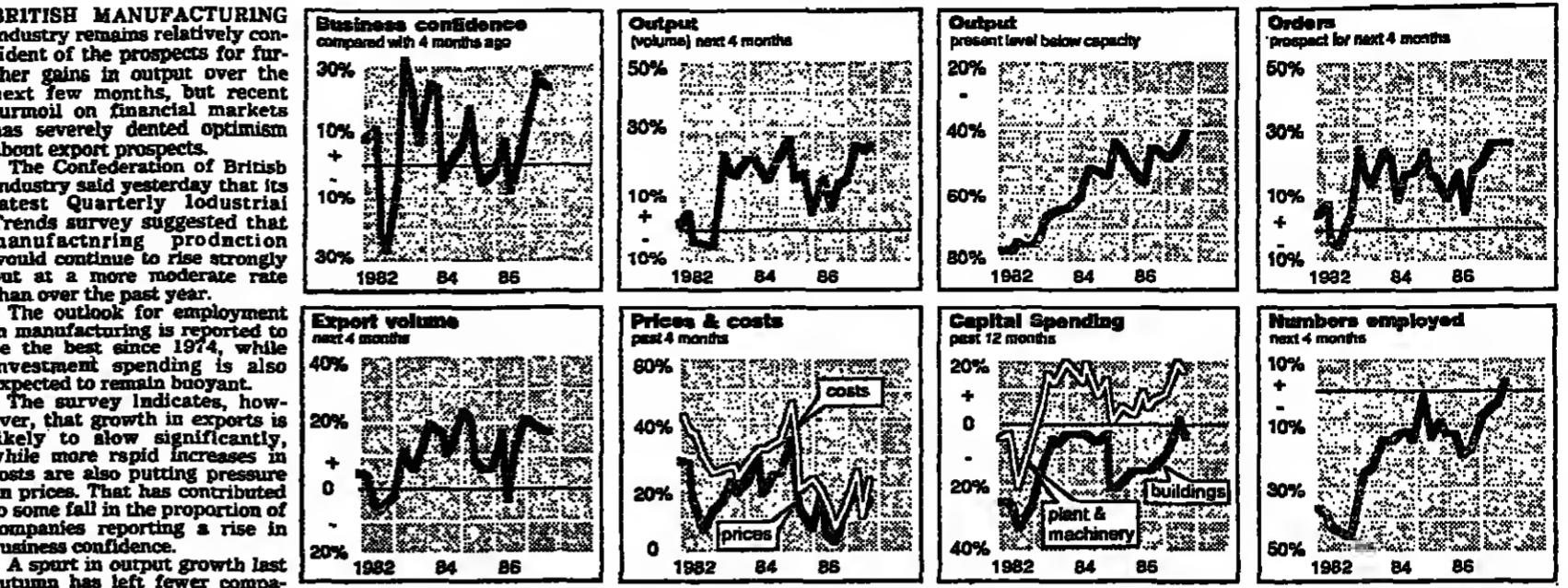
Share crash worries industry over exports

By Philip Stephens

BRITISH MANUFACTURING industry remains relatively confident of the prospects for further gains in output over the next few months, but recent turmoil on financial markets has severely dented optimism about export prospects.

CBI QUARTERLY INDUSTRIAL TRENDS SURVEY

Share crash worries industry over exports



October about the business outlook, while 65 per cent said their view had not changed and 10 per cent said they were less optimistic.

put and orders had been broadly based. The output of capital goods companies appears to have been particularly strong, while the food, drink and tobacco and the mechanical engineering sectors have particularly buoyant order books.

companies said their average unit costs had increased over the last four months and a balance of 33 per cent expect an additional rise in early 1988.

Granada enters film-making industry

By David Thomas

GRANADA, THE television and leisure group, yesterday joined film industry ranks by forming Granada Film Productions, a subsidiary to make feature films.

Partners in its first projects include Channel Four, British Screen and Atlantic Entertainment, a US film concern.

Sheffield considers stolport

By Andrew Taylor

SHEFFIELD City Council has appointed a firm of engineering consultants to advise on plans for an \$11m short take-off and landing airport close to the city centre.

Lancashire seeks EC assistance for coastal towns

By Ian Hamilton Fazey, Northern Correspondent

LANCASHIRE County Council is to press the Government to release the Blackpool, Fleetwood, Morecambe, Lancaster and the coastal strip joining them as assisted areas because of continuing decline and worse unemployment levels than average.

The rate to Blackpool's travel-work area is 14.7 per cent while in Lancaster it is 13.6 per cent. Lancashire's average is 11.7 per cent and, although part of the county is in the Merseyside Development Area, the five worst unemployment blackspots are in Blackpool and Lancaster electoral wards, where the rate rises to 44 per cent.

Raymond Hughes explains how a companies law netted a reporter

Journalist's ethics bring fine

MR JEREMY WARNER, business correspondent of The Independent, yesterday became the first person to be punished under the 1985 Financial Services Act, which gave teeth to the 1985 Company Securities (Insider Dealing) Act.

with by everyone, the essential cement that binds society together will go.



Jeremy Warner: fined £20,000 for keeping silence

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Accountants 'baffled by academics'

By James Buxton

ACADEMICS who specialise in accountancy are accused of producing work that is "incomprehensible and repellent" to most practising accountants.

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JOB

New selection methods need not be the best

BY MICHAEL DIXON

IF YOU are under 5ft 9in tall, a certain public-company chief in Britain will not employ you no matter how splendid your working record. To compensate, however, there is also a bank boss who refuses to hire anyone over 5ft 9in.

Or so the Jobs column is told, at least, by headhunter John Courtis, self-elected leader of the Campaign Against Rotten Interviews. He maintains that most employers are such slaves to irrational and irrelevant dislikes and preferences that it is a wonder any interview results in the appointment of the candidate best suited to the work.

The two bosses with their mutually cancelling "heightist" prejudices are far from the only examples Mr Courtis claims to have encountered in the line of duty. Even excepting what he calls "conventional" racial and sex discrimination, his list of further instances includes: "Dog-lovers who dislike cat-fanciers, and vice versa."

"Many people we know won't recruit anybody they see as ugly. Several are prejudiced against beards."

"Men with unmanly hobbies, and women with manly ones, are widely suspected. Fat people, like anorexics, are assumed to have personality problems. Those who wear suede shoes are a minority hate."

"Among other dislikes are moustaches, monocles, meandering mouths, eyes too close together, 'Scargill' haircuts -

of different selection devices such as in-tray exercises, which increases the cost of recruiting to a level most employers could hardly afford.

Short of that, testing is unlikely to be much better at picking the right candidates than more venerable methods are.

Take for instance Mr Courtis's private-company director who is influenced by star signs. Although I would not myself trust astrology, the evidence is that it does have some value as a predictor of working success. Witness the following quotation from the recently published Oxford Companion to the Mind, about research work by the French statistician and psychologist Michel Gauquelin.

"Certain professions were chosen - sports champions, actors, scientists - and their birth certificates consulted for the exact time of birth (which is recorded on the Continent) and their numbers ran into thousands."

"Astrologers believe that the rising sign (the sign coming up over the horizon at the moment of birth) and the rising planet are of basic importance in governing a subject's temperament."

Gauquelin's computer analysis seemed to show that three other positions were equally important: directly overhead, sinking below the horizon, and directly underfoot - the four

quarters of the heavens, as it were.

"The findings were perfectly clear. Sportsmen tended to be born when Mars was in one of these critical positions, actors when Jupiter was there, and scientists and doctors when Saturn was there. Professor H.J. Eysenck (who checked the Frenchman's research) states: 'The results are extremely clear-cut and so significant that there is no question whatsoever that the effects were not produced by chance.'"

But Eysenck, like Gauquelin, is careful to state that he does not consider these results "prove" astrology; rather, he says, they should be regarded as the possible foundation of a new science of astrology.

So it seems that the private-company director's trust in star signs is not necessarily the outwork abhorrence that John Courtis evidently assumes it to be.

What is more, there is plenty of evidence that subjective judgements can be better than more calculated methods when it comes to weighing people's claims. A case in point was quoted to me recently by Dr Janet Morgan, who besides being a successful author is an adviser on management matters to the Granada Group.

A few years ago when she was working in Whitehall, she was a member of a high-level group entrusted with assessing a proposal requiring the loan of millions of British taxpayers' money to a businessman from

overseas. When decision-time came, Dr Morgan was the only one of the group who voiced an objection to the loan. The other members thereupon asked her why she was against the man's proposal.

"Because he has blow-dried hair," she said. Readers may perhaps recall the project. It involved setting up a plant in Northern Ireland to make a stainless-steel sports car.

on consultancy and project activities for the computer industry, and the other mainly on training.

Candidates should already be marketing managers with proven professional skill as well as theoretical knowledge in the field, plus the understanding of sales work and the personal qualities to lead and develop a sales team. Provided they are not afraid of new technology, they do not need experience in computer services. A graduate-level education would be advantageous, and a master's degree in management still more so.

Salary around £60,000, with the possibility of stock options later. Other benefits include a car.

Vivian Lawrence's second offer is an information-services sales job based in Jersey, which means that it is essential for qualification there. Residential qualification there. Although the recruit will be given specific training, applicants should have good knowledge of currency dealing or equity broking, be successful in selling to the finance sector, and be able to prepare and fulfil their own business plans.

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Robert Fleming Securities, the broking arm of the Flemings Investment Banking Group, has an enviable reputation for its coverage of UK and European pharmaceutical and healthcare companies. It now wishes to expand its coverage of these industries and is seeking to appoint additional London-based analysts to work within an international team based in London, New York and Tokyo. Previous relevant experience of research in an institutional investment or stockbroking environment is desirable but not essential. Suitable alternative backgrounds might include marketing or research within the pharmaceutical industry or life science research within an academic setting. The ability to communicate views succinctly and effectively both orally and in writing is also important.

Applicants should write enclosing their curriculum vitae to:-

Frank Smith,
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Robert Maxwell is establishing a group level position to co-ordinate the marketing operations of his global communication interests.

Applicants must have extensive knowledge of the international media and communication industries, with proven experience in assessing strategic opportunities, establishing marketing strategies and plans and co-ordinating their application by operational units.

Excellent communication skills in English and at least one other European language, preferably French, are a requirement.

The successful candidate will report direct to the Maxwell Communications Board; and appropriate remuneration and benefits will be offered. Applications should be marked "Confidential/GMS" and forwarded to:

Mr. Robert Maxwell, Chairman, Maxwell Communication Corporation plc,
P.O. Box 283, 33 Holborn, London EC1N 2NE

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Manager - UK Banking \$30,000 + Car

Prime European bank wishes to recruit a high-flier to manage its UK Banking Department. Ideally you will be US Citizen (and have sound UK marketing experience). There is plenty of opportunity to develop the role and get actively involved in Business Development. Age late 20's/early 30's.

Head of Accounts To £30,000 + Car Scheme

Fast-growing investment management company needs to appoint a qualified accountant (ACA or CIMA) to take control of its accounts department (currently shared staff). Reporting to a Board-level manager, the accountant will be responsible for the preparation of all management and statutory reports. Aged mid-late 20's, candidates will have had at least 2 years post-qualification experience in a commercial (not banking) environment. In addition, must have had the opportunity to develop team-management skills. An outgoing and enthusiastic personality is sought.

Swaps c£50,000

A leading International Securities House is looking for an individual to join a small team to work on the construction of interest rate and currency swaps. Responsibilities would also encompass documentation and, in some instances, business development. Candidates should have a minimum of 2 years relevant experience. It is envisaged that this position will continue to expand and the effective recruit should have the potential to grow with the job. We also have a number of currency swap opportunities available with a minimum of two years experience.

Head of Treasury Instructions £25,000 +

Major International bank seeks experienced candidate to take control of Treasury Instructions/Treasury back-up department. Managing around 15 permanent and 4/5 temporary staff, you will be responsible for the efficient running of this busy support team processing 600,000 deals daily. The senior of a team of three section heads, the position reports directly to the Manager of Treasury Operations. Candidates with at least five years experience in foreign exchange, having sound technical and managerial abilities, are sought to fill this front-line management role. Age late 20's/30's.

Internal Auditor £25,000

A major International Bank based in the City requires an experienced Internal Auditor to head up the audit function of its UK operations. The successful candidate will be responsible for the planning and implementation of thorough auditing policies reporting directly to the General Manager. Previous auditing experience gained in a banking environment is essential.

Branch Accountant £25,000

This newly established bank wishes to recruit an experienced Bank Accountant. The successful candidate will have a sound accounting background gained in banking. The job will involve setting up all statutory returns/reporting including Bank Statements, VAT Returns and Excise. Control ledgers, budgets etc and preparing management reports, annual accounts etc. There are excellent prospects to develop the role.

Swaps Accountant £30,000

A top European financial institution is seeking an experienced Swaps Accountant. The successful applicant is likely to be a graduate aged mid to late twenties, with at least two years' banking experience 8 months of which having been gained in the Swaps area. The successful candidate will be responsible for transactions. This is a good opportunity to join a young progressive institution and a professional accountancy qualification is not a pre-requisite.

01-588 4305/6 Moorgate Hall, 153/157 Moorgate, LONDON EC2M 6XB.

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Our client is a rapidly expanding International Bank eager to generate further trading volume and profits through the development of a facility in advanced risk management techniques.

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For further information on the above positions contact Anthony Irem, Foreign Exchange Division on 01-929 2383 or send a full CV to Reed City, No.1 Royal Exchange Avenue, London EC3V 3LL

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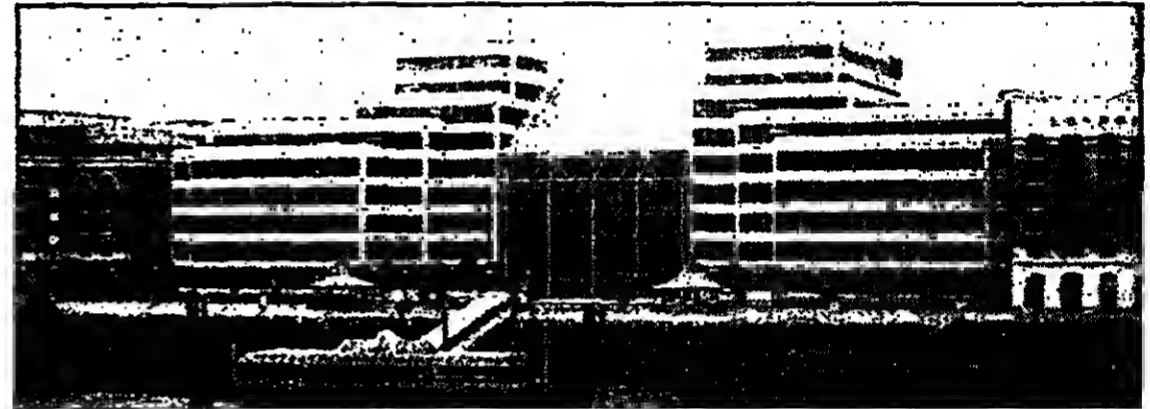
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TECHNOLOGY

How Coloroll woke up sleepy hollow

Clive Cookson examines the way in which Fogarty's production methods have been transformed following its takeover

A YEAR AGO Coloroll, the rapidly expanding UK home fashion group, sent a small taskforce of executives to Boston in the Lincolnshire fenlands. Their mission was to transform Fogarty, the bed-linen manufacturer Coloroll had just bought for £31m, from a traditional family-run business with a lot of obsolete equipment into Europe's most modern and efficient producer of home furnishings.

Within a month Coloroll had made 150 of the 1,300 Fogarty workers redundant - including almost the whole senior management - and given up several peripheral activities into which the company had been diversifying. At the same time the new managers decided on a £7.2m investment programme to modernise and expand Fogarty's core business making pillows, duvets and furnishing textiles. The money was spent on four plants:

• £2.5m on a central 3m cu ft computer-controlled warehouse to replace several small warehouses scattered around the town of Boston.

• £2.2m on a new textile printing plant - Fogarty had previously contracted out its printing.

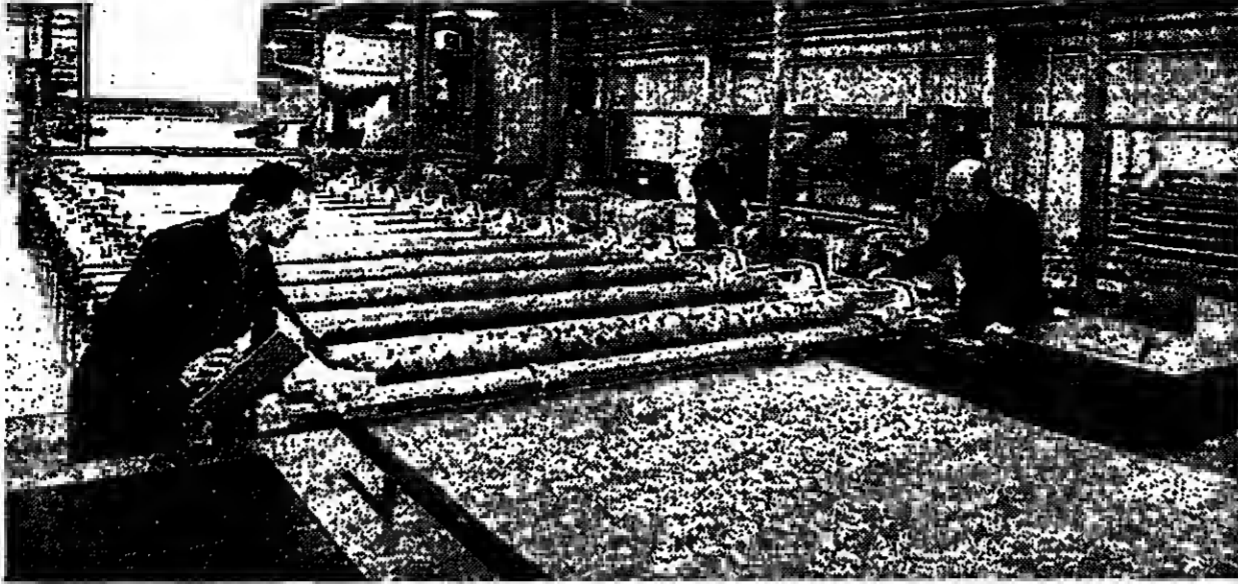
• £1.5m on machinery to wash, dry and purify the chicken and duck feathers which fill Fogarty duvets and pillows.

• £1m on computerised hemming machines to make duvet covers and pillow cases.

Almost all the new machinery is installed and beginning to run, the remaining workers are getting over their Coloroll-shock, and production and profitability are rising quickly. John Gregory, the 30-year-old managing director installed by Coloroll after the takeover, expects Fogarty to make a pre-tax profit for 1987/88 of at least £5m on £68m turnover. That compares with the £2.8m profit forecast by the previous management.

So Coloroll - one of the most image-conscious companies in Britain - is beginning to show off Fogarty as an example of the speed with which it can achieve a technological and financial revolution in the companies it takes over.

Philip Green, the 34-year-old managing director of the Coloroll Group, says the company was able to decide very quickly what equipment to order for Fogarty. "We had the advantage that prior to the acquisition we were thinking of starting a greenfield textile plant in Lancashire, and we had done a detailed feasibility study for that," he says. "For example, we knew that we could not buy a wide width



The Boston plant's main printer, supplied by Zimmer of Austria, can process 2.6 metres wide material in 14 colours

textile printing machine in the UK."

In fact none of the major machinery orders went to British manufacturers. Green is quick to point out that Coloroll's policy is to buy from UK machinery suppliers wherever possible, and this has been achieved in some of the group's other factories. But the Fogarty plant is being equipped mainly from elsewhere in Europe.

German suppliers won the largest share of orders, followed by Austria, Sweden, the Netherlands, Italy and Belgium. In strategic terms, the most important part of the investment is the new printing plant, which will enable Coloroll to produce a wide range of own-label fabric designs for major retail chains. The main printer is a £650,000 rotary screen machine from Zimmer of Austria. This can print materials 2.6 metres wide in 14 separate colours. It uses the "magnet roll rod system" invented by Zimmer about 20 years ago. A magnetic bar pushes coloured paste onto the fabric through tiny holes in a rotating nickel cylinder.

"The printer is not a new design, but we decided to go for the most tried and tested system," says Kevin Smithbone, the printing plant manager. Although Zimmer's main patent expires this year and other manufacturers are bringing out similar printers, Coloroll did not want to take any risks with an important piece of machinery.

On the other hand Fogarty is acting as a guinea pig for an entirely new "colour kitchen" developed by

Van Wyk Industrial Products of the Netherlands. This is where dyes (supplied by BASF of West Germany) are mixed for the printing plant.

Smithbone says Coloroll bought the prototype colour kitchen made by Van Wyk for the recent ITMA international textiles exhibition in Paris. (And they got it for £220,000, compared with the £350,000 or so that future customers will have to pay.) He says it is far more compact, faster and more accurate at matching shades than competing colour kitchens.

On the Van Wyk system the valves which drop dye into the colour mixer are lifted by a new computer-controlled stepping motor. The valves can be in any of 40 positions, accurate to within five thousandths of a millimetre. This enables the operator to control the amount of each dye in a particular colour to within one gram in 120 kilograms. "The computer spent a day teaching itself how to work," Smithbone says admiringly. "It learned the tolerances of the system and the exact weight of each drop."

Other major pieces of equipment in the printing works include a "vestoon baker" made by Arioli of Italy, where the cloth is heated to fix the colours after printing, and a "calender" from Ramisch of West Germany, which irons the cloth. The latter arrived four weeks late, and Paul Edwards, the textiles production manager, says Ramisch "is the only company which let us down on delivery dates."

they're performing, which must be an incentive," she says. "Any bottlenecks or problems that come up can be solved straightaway. And it makes it impossible to cheat." With the traditional manual recording system dishonest workers can exaggerate the amount of work they have done.

The GerberMover is now being installed and will be switched on next month. It will then become clear how keen the Fogarty workforce are on computer supervision of their work.

The £1.5m modernisation of the feather purifying plant is based on equipment from L.H. Lorch of West Germany. Every day the feathers from 270,000 chickens and ducks will be washed, dried, purified and stuffed into pillows and duvets - untouched by human hand.

"We lost a whole generation of machines," says Paul Dimming, the feather plant manager. "We didn't modernise when we should have 20 years ago, and our oldest driers date back to 1926." He says the number of men washing and drying feathers will be cut from 47 to nine when the L.H. Lorch equipment begins running this year; the remaining 38 workers will be redeployed elsewhere in the factory.

On the whole morale among the Fogarty workforce seems to be recovering, now that the talk has turned from redundancies to expansion. But there is still considerable scepticism about the "Coloroll culture".

(On the day of my visit "How Are We Doing?" performance boards were going up all over the factory. And the workers were delighted to see that each board had a spelling mistake in huge letters: CUMALATIVE for cumulative. So the first idea on the area set aside for suggestions was that the management should learn to spell.)

The scornful way in which John Gregory, the new managing director, talks about the "old regime" and his "feudal" management style irritates some of the older staff, who remember the former owners, the Fleet family, with some respect. But almost everyone seems to admire the speed with which Coloroll modernised the factory.

The company is now talking about investing £3m more in the printing plant and starting to manufacture towels and upholstery. The target is to increase annual turnover by 50 per cent over the next two or three years. But Coloroll does not want to throw off Fogarty's sleepy image entirely: bed-linens, pillows and duvets will remain at the heart of its product range.

Elaine Smith, one of her supervisors, went to see the GerberMover in action in the US. "With the little computers the girls can see how

WORTH WATCHING

Edited by Geoffrey Charlish

Racal secures transfer of funds

RACAL-GUARADATA of Fleet, Hampshire, has developed a secure electronic device that will verify the authenticity of money transfers between branches of one of the UK's high street banks. Racal cannot yet name the bank but the device, called Portable Authenticator EGI 250, is expected to be in use within six months.

At the moment money transfers involve an encrypted message, derived from a code book, which is sent (by telex for example) along with the amount, account numbers and the signature codes of two bank authorising officers. At the other end, an identical book is used to verify the transfer.

Racal's EGI 250 is a battery-powered, hand-held unit with a small screen and a keyboard on which similar information is entered, whereupon the unit generates a unique message authentication code (MAC).

When the receiving operator reads this off the telex machine, he enters it all on his EG 250. This will interpret both MAC and the data and will only show "OK" on the screen if no corruption or alteration has taken place between the two ends of the link.

Police find new material evidence

POLICE FORCES in the UK are starting to use a fingerprinting method that enables them to see prints made on substances that normally yield poor results. Examples are polyethylene bags, leather, photographic prints and negatives.

Developed by the Home Office, the technique uses a vacuum metalliser from Edwards High Vacuum of Crawley in the UK. This is a device in which metals are vapourised and then coat "large" surfaces in a vacuum chamber.

For the fingerprints, gold is first deposited, followed by zinc. The very thin gold layer is absorbed by the ridges of human perspiration that form the latent

fingerprint pattern. Zinc will generally only condense on to another metal and in this case only adheres to the unabsorbed gold layers between the ridges.

The visible pattern is quickly photographed before the zinc oxidises and becomes less opaque. Police centres in London, Winchester, Glasgow and Belfast have, or soon will have, installed the system.

Electronics weigh in with circular dial

FOR WEIGHING machines, UK company Darent has devised an electronic display system that replicates the traditional circular dial and pointer by using microprocessors and light emitting diodes (LED).

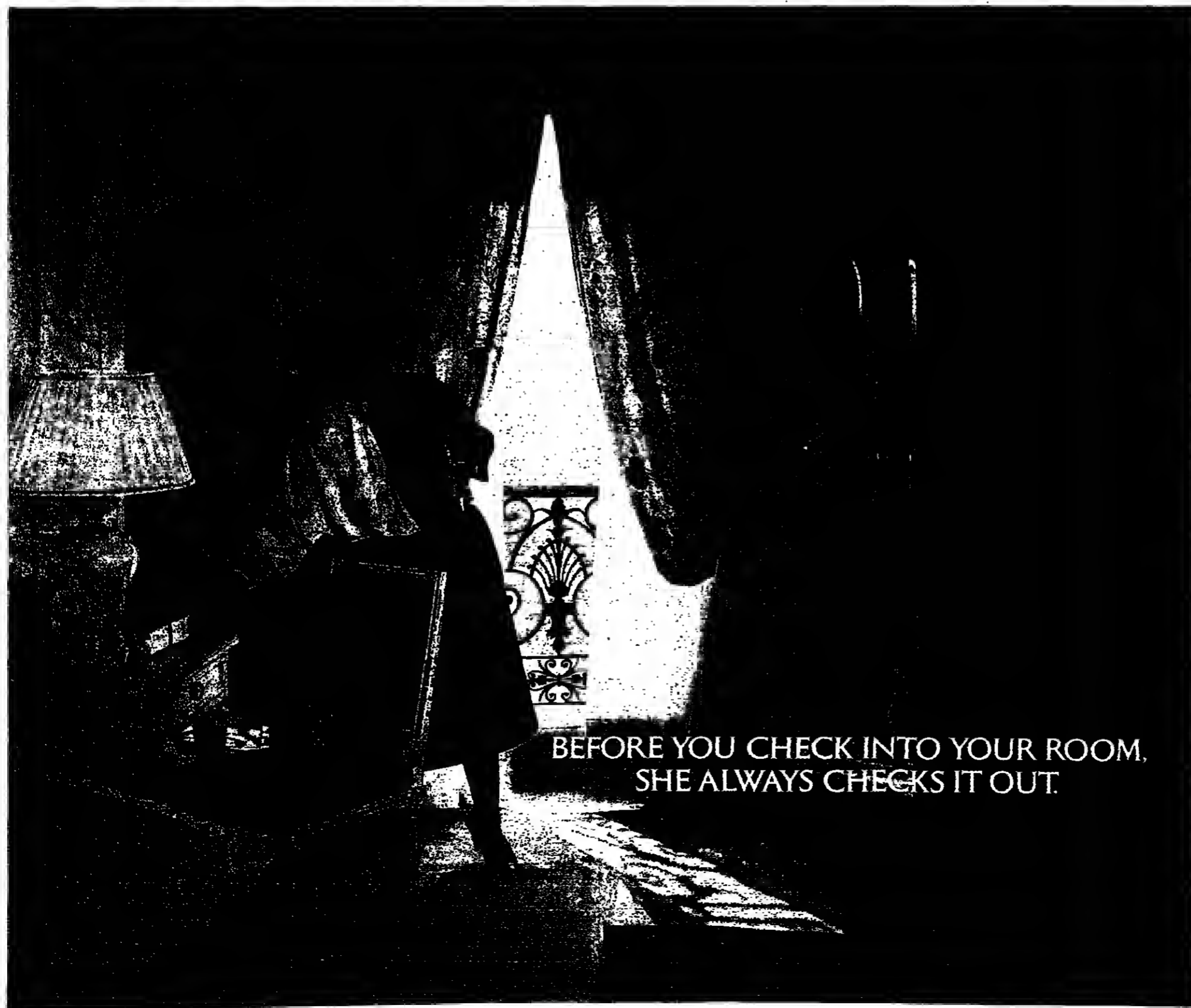
A 360mm (14in) diameter ring of LEDs forms the analogue scale, giving the effect of a continuous strip of light. The exact weight is displayed on a central numerical display. Thus the user has the advantage of visible figures and the "feel" of the analogue pointer moving between zero and full load over nearly 360 degrees.

Barclaycard moves to optical storage

THE LATEST important user of optical recording in the UK is Barclaycard, at its Northampton headquarters. A system from Surrey company CACL (Computer and Aerospace Components) was installed in conjunction with Telephone Rentals, and is in use for recording up to 2,000 telexes daily.

CACL believes many large corporations have problems with storing and finding telexes. With CACL's system, the text of all telexes sent and received goes straight on to optical disc, character by character and without being printed, so that an exact replica is kept. The messages are automatically indexed and can be retrieved and seen on a screen in a few seconds, or printed out.

CONTACTS: Racal-Guaradata: UK, 0252 622144, Darents: London, 010 2246. CACL: London, 387 5311.



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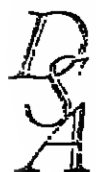
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Television/Christopher Dunkley

Viewing, NY style

According to the booklet at the reception desk of the Berkshire Place Hotel in midtown Manhattan, every room in their sister hotel in Detroit has two television sets: one in the bathroom. Here in New York the ration is just one per suite. But as you recline on your king-size bed (nearer world-dictator wire actually) with the remote control, you discover that there are 36 channels to zap through, and only three are delivering those Picasso-like distortions which indicate an encrypted signal.

Thus there is a choice of 32 services, assuming you do not want your bill to carry the give-away supplementary charge for watching *Komedia* or some similar bit of soft-porn from the closed-circuit service. As you begin dipping and diving from the airwaves, pausing for 10 seconds to identify the flavour of each offering, you start to wonder how much truth there might be in the supercilious British claim, that American cable television means three dozen channels of identical rubbish.

Your thumb zaps out the image of a beaming young woman with a big bust, delicately stroking a mass spray, and summons a picture of a hunky young man fingering a bottle of cough lozenges. He gives way to another man who declares "When you take Tums you're getting extra-strong heartburn medicine." Zap again and you find yourself with a studio anchorman who says "Our story begins after these important messages... with any fade-to-black or the other visual devices demanded by law in Britain to separate programmes from commercials, you are faced by a woman who enthusiastically calibrates width. She sprays laces twice as long as the other brand."

Then you get to Channel 26, and this is indeed different. A static camera is pointing at what appears to be an amazing model with a shy grin verging on the sheepish, who is displaying a bizarre grey jumper dotted with various shiny decorations. A voice-over in down-home tones is saying "Got the boat neck to it, that sparkly vinyl and the silver la-may. You won't be disappointed, it's so comfortable for one, and it's stylish. That's what I like about my clothing. I don't want to look exactly like my neighbour."



Melvyn Bragg, whose South Bank Show's 10th anniversary is currently being celebrated at the New York World Television Festival

Prize which, in part, satirises the Nobel shenanigans, and which won the Golden Rose at the Montreux festival of light entertainment; to West Germany's bleakly realistic but compellingly exciting drama *Close Up* in which a surveillance expert is host by his own electronic petard, and which won the Silver Leopard's Eye for TV movies at Locarno. (It was Scottish TV's Gus Macdonald who coined the generic term "Zine" for television awards).

But the jewel in the crown of this festival is a retrospective of London Weekend Television's *South Bank Show* which is celebrating its 10th birthday this month. In Britain the occasion has not gone entirely unmarked. LWT's last heli-party in London last night, and there have been mentions, even whole articles, in several national newspapers. But it took an American — Mr. Bragg, who has been editing and presenting throughout its existence by Melvyn Bragg, as "among the most innovative and exciting in the world."

To mark the opening of the festival Bragg conducted a seminar illustrated by sheafs of clips from the decade of programmes, and no less a figure than Michael Powell (director of *The Red Shoes* and *The Life and Death of Colonel Blimp*) arrived, be-cloaked, from Greenwich Village to listen. Next evening they screened the Museum of Broadcasting's 1986 SE3 episode titled "The Andrew Lloyd Webber Story" — and although the whole of New York was besotted with the imminent opening of his *Phantom of the Opera*, Bragg himself made time to attend. Next night they showed Kim Evans' "Warhol" programme and a crowd of the artist's friends from the days at "The Factory" including "superstars" Viva and director Paul Morrissey turned up to socialise themselves and their former guru on screen, before joining in a candlelit dinner in the museum's foyer.

Today the museum is showing Derek Bailey's superb programme from the first year of

Boulez/Festival Hall

Max Loppert

This season the European Broadcasting Union is celebrating its 20th birthday. All the member countries are contributing celebratory concerts (which are being broadcast live to all the member countries) on Monday it was the turn of the BBC, which gave the EBU one of the highlights of its calendar, in the form of a BBC Symphony Orchestra concert conducted by Pierre Boulez.

The reappearance of Boulez on the concert platform would be cause for gladness enough; but on Monday, in addition to conducting music by Schoenberg, Messiaen, and George Benjamin, a task for which he remains uniquely well equipped, he was there to present a Boulez premiere — or rather, the premiere of an one recalled from previous occasions, and certainly an even greater command of form and direction in the latter. (Nobly cheered for a Schenker work such we heard on Monday still an unfamiliar experience.) Benjamin's *Ringed by the Flat Horizon* — that miraculous naturalisation of an incredibly mature 19-year-old composer expanded it for large orchestra, adding a female choir to the contingent of two female soloists, but after its first performance in 1957 it was immediately suppressed — in a genial, inimitably relaxed

because of the work's intellectual rigour, its essential *pudder* of means and manners.

As already stated, the full revival of the work is not yet complete — the third movement is evidently the centrepiece which the others provide a symmetrical frame — but, when it is, an important dimension will have been added to the composer's portrait. Monday's performance was a more than sufficient appetizer-wheffer. For the rest of an extraordinary programme there is hardly space to do justice. The Boulez-BBC combination in Messiaen's *Chronochromie* and the Schoenberg Variations, op.31, is a halved one: on this occasion there was perhaps slightly more untidiness and inexact ensemble in the former than one recalled from previous occasions, and certainly an even greater command of form and direction in the latter. (Nobly cheered for a Schenker work such we heard on Monday still an unfamiliar experience.) Benjamin's *Ringed by the Flat Horizon* — that miraculous naturalisation of an incredibly mature 19-year-old composer expanded it for large orchestra, adding a female choir to the contingent of two female soloists, but after its first performance in 1957 it was immediately suppressed — in a genial, inimitably relaxed

Rossini in Florida

Andrew Porter

Miami is a town often in the news for its criminality. Its drug traffic, its boom as both northerners retiring to the sun and Latin Americans at odds with their home governments settle there. It's linked to London by a little black and white cord. On my visits I've never been able to get much coherent sense of the place. On my latest visit, I stayed in Coral Gables — an idyllic quarter of trees, manicured lawns, and development — but dined in the vibrant downtown. I was in Miami to hear the American premiere of Rossini's *Bianca e Falliero*.

The Greater Miami Opera season opened with *Bianca* and continues with *Tosca*, *Don Giovanni* (Cheryl Studer, James Morris), Stephen Paulus's *The Postman Always Rings Twice*, and Rossini's *La Cenerentola*. The tenors, Gary Bennett and Robert Swensen, were over-

taxed. There was a good deal of ambitious — sometimes over-

bitious — adoration, prepared under Philip Gossett's guidance. *Bianca*, composed for La Scala, is more "formal", more conventional than Rossini's Neapolitan serious opera. The audience burst into cheers and laughter when, in the nick of time for the final cabaletta, Dad relented and let Bianca (Christina Malin) be helped by a rather gloomy set, a clumsy production (explicatory pantomimes added, "time-suspended" lighting effects for reflective episodes), monochrome costumes. But Wilbur Waters, the artistic director of the company was for the most part a spirited conductor. And it's a richly composed, neatly mastered score.

This concludes the recent series of operas by Rossini, 17, 18, 19, 20, 21 by Andrew Porter on the American musical scene.

Book Review/Michael Coveney

Acting crazy from Peter Brook to Richard Burton

Here are dreams and journeys, ideals and practicalities, triumph and loss, passion and pomposity, passion and grief. In other words, a rare old rattlebag of new theatre books.

Peter Brook's *A Theatrical Casebook* compiled by David Williams (Methuen, 3.95) will serve as a most useful introduction to Brook's work, pending the publication of his own autobiography in April. Itself timed to coincide with the arrival in Glasgow of his latest major work, *The Mahabharata*.

This collection of essays, reviews and interviews charts clearly, and I believe for the first time, how the West End wunderkind of the late 1940s brought Brecht, Artaud and Beckett to bear on his work for the Royal Shakespeare Company before saying goodbye to all that and hitting the exploratory, quasi-anthropological trail from the magic triangle of London, Broadway and Right Bank Paris.

That last phrase is Irving Wardle's in the concisely evocative foreword. Brook has said, since 1970, from his Parisian Centre for International Research. The first fruits

of this adventure were seen at the Shiraz Festival in 1971; Andrew Porter's famous reviews of *Orphast*, first published in this newspaper, stand at the centre of this book, just as *Orphast* itself stands at the centre of Brook's creative evolution.

It is not fashionable to be too "serious" about your art these days. Derision is the last refuge of the ignorant and uncommitted. *A Dream of Passion*, by Lee Strasberg (Bloomsbury, £12.95, 201 pages) bristles with seriousness, but also with fascinating autobiography and a searing passion for theatre.

When the Moscow Art Theatre visited New York in 1923, the young actor Strasberg was instantly converted and convinced that "acting was the process of living on the stage." He adopted the methods of Stanislavsky, not slavishly, and applied them to the new American theatre. He founded the Group Theatre in the 1930s and his own Acting Studio, home of the much misrepresented "Method" in 1941.

Strasberg died in 1982, but his refreshing and readable testimony, by no means an exclusively "how to" book for budding actors, subtle and scientific, has been edited and well presented by Evangeline Morphos.

Sam Berraford is the budding actor in *Next Season* by Michael Blakemore (Faber, 3.95 pounds, 363 pages); the best theatre novel I have ever read, happily reissued in paperback after 20 years of print. The old world of weekly rep was

vanishing even as Blakemore wrote the book, but it remains a valid and deeply moving account of an actor's craft, doubts and motivations.

Like Blakemore, Sam is an Australian. His sojourn in the fictional Oxbridge town of Braddington is viewed with an outsider's objectivity and an impassioned clarity. His sex life, though, is a hectic muddle, inextricably bound to his fortunes in the company which harbours many new meritocrats as well as the wonderful old instinctive and helpful veteran, Ivan Spears. Simon Callow provides an appreciative introduction.

Given the author's pre-eminence as a playwright, *Writing in Restaurants* by David Mamet (Faber, 3.95 pounds, 160 pages), is a disappointingly thin collection of doodles, speeches and little essays. "We expect less of our actors today because we expect less of ourselves" is typical of an off-putting tone. I expect more of Mamet, though I respond to his chapters on past and future, with a funny mix of big bids and small cons that characterise his plays and his recent film, the superb cat-and-mouse thriller, *Houses of Games*.

Mamet calls for a resurgence of American playwrighting on radio, pointing enviously to the BBC Radio drama department. A valuable addition to Methuen's World Dramatist series is Joan Asch's *Five Plays* (Methuen, 3.95 pounds, 424 pages) contains two translations of *Leocadia* and *Antigone*, commissioned by BBC Radio.

Anouilh's best known translation — *Christopher Fry*, *Barbaric* and *Lucienne Hill* — are all represented here, and they are joined by Timberlake Wertenbaker. Their work, and Anouilh's engagingly introduced by Noel Coward, not one but two episodes of *The Singing Detective*.

The only trouble with multi-channel cable systems is that you need a strong thumb and the determination to hunt down what you really want.

Eric Clapton/Albert Hall

Antony Thornecroft

When John Drummond took over as controller of Radio Three last year he apparently ingratiated himself with the young Turks on the channel by agreeing that Mozart often produced wallpaper music. One of the greatest, of course, but just perhaps a little bland, a little over-exposed.

It was hard not to share the same heretical thoughts about Eric Clapton, currently playing in London for an extraordinary number of nights. You can remember with the opening chords to "Layla" represented one of the supreme achievements of man; when the mounting surge in "Cocaine" united a generation in some innocent naughtiness; when "1 shot the sheriff" was just the funkiest song around.

Now they sound like the pop world's "One Hundred Best Tunes". It's nice to hear them again, but they can't quite stir the spirit. It was quite appropriate that Clapton should be on the stage at the Albert Hall and that the audience should stay seated for most of the performance. This was pop music in its comfortable middle age. Clapton contributes to the pipe and slipper image. He is now so laid back as to be almost horizontal. He wears baggy clothes; sticks his cigarette into the strings of the guitar; mumbles the odd introduction; and generally carries on like a homely uncle. That has always been his attraction — Good Old Eric, a decent bloke who by some weird chance just happens to be one of the finest guitar players in the world.

He does not need to be flashy in his performance; the guitar bends effortlessly to his disciplined creative imagination. His band consists of supreme session musicians, who unostentatiously get on with their jobs, plus Mark Knopfler of Dire Straits who has come along for the ride. In prospect this should provide challenging guitar duels; in practice Knopfler keeps such a discreet presence that you have to check on the bandana to make sure he is there. Only with the final encore, his own "Money for nothing," does he throw off an extended solo.

But Clapton serves his fans well. There is something for every generation. He opens with "Cream" numbers like "White Room" and closes with tracks from his latest, and most commercially successful album, *August*. In between there was enough proof of his genius in a melody of "Let it rain," the highlight of the show. He slipped "Layla" in quickly after a tribute to star bassist the late Jaco Pastorius, and climaxed with "Sunshine of your love."

Clapton really needs to be pushed, as he was by Duane Allman in the recording of "Layla," to produce his best stuff. In this performance he was enjoying himself with some friends. It was a pleasant evening with some marvellous music, but it was not an exhilarating rock experience. That was happening down the road as the Hammersmith Odeon with the sweaty John Cougar Mellencamp tearing out his soul and bringing the gritty side of Middle America back home.



Eric Clapton

Arts Guide

- LONDON**
- The Rover (Mermaid).** Jeremy Ross returns into town in the 1930s' Swan production by John Arntzen and April Behn's rollicking comedy. It plays in repertoire with the Chernobyl play, *Barogaspans*, an earnest but not the crafted, high level drama set in a terminal radiation clinic as the first victims of the disaster are wheeled in. (265 5658/585 5851).
 - A Man For All Seasons (Grosvenor).** Charles Boston kept no favours for his comparison with Paul Scofield as Sir Thomas More in a leaden production of a play by Robert Bolt and Eric Roth. (585 8888).
 - Antony and Cleopatra (Olivier).** Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life. Judi Dench and Anthony Hopkins are battle-scarred lovers on the brink of old age. Dench is snazzy, witty and ultimately devastating. (225 2252).
 - The Phantom of the Opera (Her Majesty).** Spectacular emotionally nourishing new musical by Andrew Lloyd Webber. The setting is the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Marie Perle. Dere Willeutz has succeeded Michael Crawford as the Phantom. (839 2244, C5979 6151/740 7300).
 - Follies (Shaftesbury Theatre).** Stunning revival, directed by Mike Ockrent and designed by Marie Bjornson, of Sondheim's 1971 musical in which poisoned marriage leads to a madhouse of burlesque reunion in a doomed theatre. Four new songs, improved by Andrew Lloyd Webber. The cast includes Julie McKenna, Diana Egan and Daniel Manney, all of whom are excellent. (373 5383).
 - Shogun Money (Wyndham's Theatre).** Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-willing yuppie how the Big Bang led to class tumult and narrow-boy dealings on the Stock Exchange. Hot and vivid, but new cast is less than good. (835 3025, OC 379 6585).
 - A Small Family Business (Olivier).** Brilliant new Alan Ayckbourn play about Britain on the fiddle in greasy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale. (825 2252).
- NEW YORK**
- Fences (46th Street).** August Wilson hit a home-run in this year's Pulitzer Prize, with James Earl Ray Jones taking the powerful lead role of an old baseball player returning to an inner-city tenement in the 1950s, trying to improve their lot but dogged by his own failings. (221-1211).
 - Cala (Winter Garden).** Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically felicitous, but it is classic only in the sense of a rather staid and over-blown idea of theatricality. (239 6262).
 - 43rd Street (Majestic).** An immediate celebration of the heyday of Broadway in the 1930s incorporates songs from the original film, like *Shuffle Off to Buffalo*, with the appropriately brash and leggy hoofing by a large chorus line. (377 9402).
 - A Chorus Line (Shubert).** The longest running musical ever in America has just celebrated its 35th anniversary this year. The evening features 35 extracts from past, present and future Shubert productions. The new cast includes the original cast members as well as updated musical numbers with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).
 - Les Follies (Palace).** With some beautiful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages barely to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (267 2255).
 - I'm Not Rappaport (Booth).** The Tony's best play of 1986 won on the strength of its work-of-mouth popularity for the two oldest on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).
 - Les Misérables (Broadway).** Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway a play that is a masterpiece of not strict adherence to its original source. (239 6200).
 - Starlight (Gershwin).** Those who saw the original at the Victoria in London will barely recognise its American incarnation: the slacker do not have to go beyond the whole theatre but do get good exercise in the spruced-up stage with new numbers in which the songs are used to distract from the hackneyed pop music and trumped-up sly plot. (888 8510).
 - My Girl (Marquis).** Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated lead characters in a stage-film-of-character. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, versatile actor who is preferred by British. (847 0035).
- WASHINGTON**
- Barlow IV (Arena).** Pirandello's mystery of the man who imagined himself to be a woman. Encores in Germany is staged by Zeldia Fichtandler. (488 3300). Ends Feb 21.
- CHICAGO**
- Passion Play (Goodman).** Peter Nichols' clever twinning of the major characters as they conduct a duplicitous affair adds a sharp edge to the view of contemporary life in London. (443 8800). Ends Feb 13.
- TOKYO**
- 25 Steps (Aoyama Theatre).** Song and dance with the Shiki Theatre Company which specialises in musicals and which is celebrating its 50th anniversary this year. The evening features 35 extracts from past, present and future Shiki productions. The new cast includes the original cast members as well as updated musical numbers with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).
 - Kabuki (Kabuki-za).** Tokyo's main Kabuki theatre is celebrating its centenary. Each year is given a special featuring perennial favourites and new works. The morning programme this month includes *Kanjinjo*, in which the wily servant saves his master's partner. The afternoon programme has another popular piece of Kabuki, *Sukeroku*. Both plays are the property of the Ichikawa family whose kabuki lineage dates back 250 years, and they each feature the current head of the Ichikawa family, Banjuro Ki. There is excellent telephone commentary in English. (641 3181).

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Saleroom/Antony Thornecroft

Tops for album cover

The original artwork for the Genesis album "Selling England by the Pound" sold for £8,000 at Phillips yesterday in an auction of modern British art. The watercolour design by Betty Stanwick is very much in the style of Stanley Spencer and shows a tramp lying on a bench with rural figures bowing to him and a tree lined avenue. It will be famous to millions of record collectors.

The sketch had belonged to Tony Stratton-Smith, the first manager of Genesis, who died last year and was sold to aid a new charity for musicians. The buyer was the keyboard player with the band, Tony Banks. He paid well over the top estimate of £1,500.

The auction totalled £183,215, with 19 per cent unsold, confirming that demand this year is currently below the level of six months ago, but that good items still sell well. All the top lots exceeded their estimates. The highest price was the £11,500 paid for "Flowers in a sculptured vase" by Harold Clayton, a decorator's picture if ever there was one. Its high estimate had been £2,500.

The London dealers Agnew acquired a coastal landscape by James Dickson Innes for £9,900, three times forecast, and a wintry landscape attributed to Robert Bevan for £5,500 (as against a £800 top estimate). Another London dealer A & F Gordon paid £7,700 for Little Lord Funtleroy as imagined by William Henry Margeson.

FINANCIAL TIMES

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Wednesday January 27 1988

Mr Reagan's final message

MR RONALD REAGAN is nothing if not constant. In his inaugural address seven years ago, he invoked the image of the US as "that shining city on a hill" and on Monday night in Washington, in his final State of the Union message, he was at it again, word for word.

In one critical sense, there is an innocence about this president which appeals to his countrymen. The reception accorded him by Congress on Monday was testament to this. His Administration has been going downhill for some time and domestic policies are a bit of a mess, but, as ever, Mr Reagan is somehow not associated in the public mind with this.

Election year
In terms of substance and political reality, however, Mr Reagan said nothing that which will make much difference, with just one possible exception. His bald statement with reference to the strategic arms negotiations with the Soviet Union - "no agreement is better than a bad agreement" - may be interpreted variously, as necessary note of caution as to his right wing, which is unhappy enough with the intermediate missile treaty now in front of Congress, or as a reflection of real difficulties in Geneva. But it demonstrates that another summit and another important step this year towards better superpower relations cannot be taken for granted.

Beyond that, the address was noteworthy only for its symbols. Mr Reagan's proposals to change the budgetary process, involving, regardless

of how he coached it, an effective transference of authority from the Congress to the Administration, stand no chance of being implemented, least of all in an election year. In any case, Mr Reagan can hardly lay claim to greater responsibility in budgetary matters than Congress, given that his policies have more than tripled the size of the deficit. The balanced budget amendment, to which he again returned, is in the real world an irrelevance, as the President should know, since he has never actually submitted such a plan to Congress.

Protectionist tide
In fact, the legislative agenda for this year will not be changed by anything the President said. The big battles will be on the details of spending, inevitably, on the INF treaty and on aid to the Nicaraguan Contras. It was, however, disturbing if not wholly surprising, to hear Mr Jim Wright, the Democratic Speaker of the House, once again pick up the cudgel of the omnibus Trade Bill as a cornerstone of his party's plans for 1988. It had seemed that the lesson of Black Monday, with all the comparisons made with 1929, the subsequent Smoot-Hawley laws and the onset of the Depression, had served to roll back the protectionist tide. If so, Mr Wright seems intent on the role of a reverse Canute.

But the Democratic leadership was right in one respect. They dismissed Mr Reagan's address as "the end of an era". The problem, as yet barely addressed in the election campaign, is what and who comes next.

Weighing up the public interest

THE BRITISH Government's definition of what is and is not in the public interest to disclose is looking increasingly questionable. The most recent example arose on Monday, when Sir Patrick Mayhew, the Attorney-General, informed the House of Commons that no prosecutions would take place following an internal investigation of certain shootings by officers of the Royal Ulster Constabulary in 1982. Six people were killed; four police officers were tried and acquitted. Sir Patrick admitted that there was evidence of police attempts to pervert the course of justice, but added that it was not in the public interest to prosecute. Since the RUC is operating as a civilian police force, subject to the rule of law, this interpretation of the public interest is inadequate.

Less restrictive
Clearly Ulster poses special policing problems and it is assumed that considerations of security lie behind Sir Patrick's decision. Mrs Margaret Thatcher, the Prime Minister, was right when she said in a television interview on Monday night that most members of the public believe that a secret service should keep its secrets. Most people would also support her in insisting that members of the security forces should be subject to a lifelong duty of confidentiality.

These views will no doubt be reflected in the white paper on the reform of the Official Secrets Act that is being prepared by Mr Douglas Hurd, the Home Secretary.

Price of silence

NO ONE has ever been sent to prison in the UK for insider dealing. So it would have been bizarre if Mr Jeremy Warner, the British journalist, had been imprisoned under the unique sanctions imposed by the 1986 Financial Services Act to aid Department of Trade inspectors in their pursuit of insider dealers. His offence was to refuse to disclose sources of information which the inspectors said were necessary to their investigation, and the penalty imposed for what one judge in the case reasonably described as a "morally defensible" attitude was a sizeable fine.

The affair now appears to

His proposals will attract widespread support if they confine the definition of top secrecy to the activities of security service operatives. A lesser level of secrecy, with a view to the notion of confidentiality, should be applied to some areas of defence and foreign affairs. But if Mr Hurd, prodded, perhaps, by the Prime Minister, seeks to extend the cloak of confidentiality to other government departments it will be natural to conclude that the purpose is as much to cover government mistakes as to protect the country's security.

The case of the Ulster shootings appears to be indicative of the Government's attitude to disclosure. The RUC's own internal investigations have so far proved unsatisfactory. The Government has admitted as much - and shut the case-book, taking to itself the responsibility for deciding that one admitted harm to the public interest would be outweighed by another in the event of public disclosure.

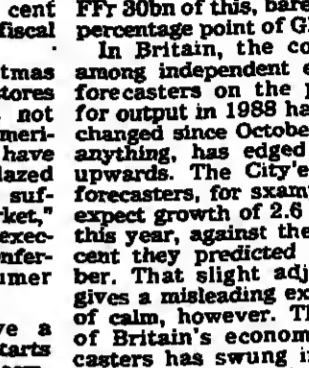
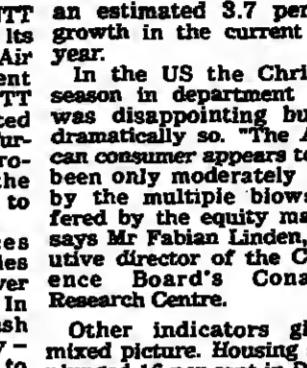
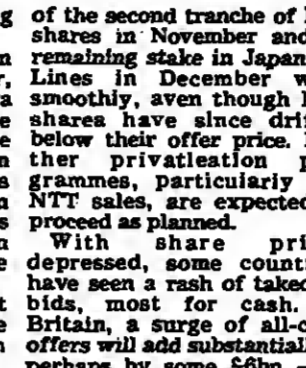
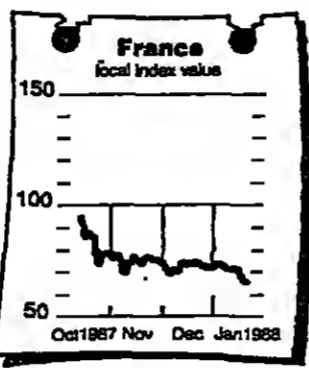
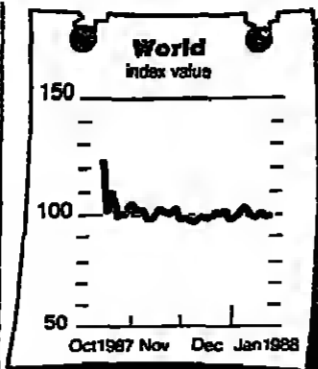
Similarly, in relation to the Official Secrets Act, Mr Hurd has argued that an "inside" appeal mechanism for members of the security services would not be trusted by outsiders, while an "outside" one could not be given the information needed to make a proper assessment. He is therefore inclined to favour the doctrine "trust the minister." Mrs Thatcher made the same point on Monday night. But a respected outside body, perhaps a panel of justices or privy councillors, should be allowed sufficient access to internal information to make a fair assessment.

be closed, and it is unlikely to have broad consequences. Honest journalists - and crooked share dealers - will not be much deterred by the outcome. But there is one outstanding public interest question. Under the Contempt of Court Act 1981, journalists are not obliged to disclose their sources unless the court is persuaded that disclosure is "necessary in the interests of justice or national security or for the prevention of disorder or crime." One message of the Warner case is that unless the word "necessary" is interpreted very strictly by the courts, the protection which parliament extended to journalists will be of little value.

كلدا عن الاصل

Financial Times correspondents report on world-wide developments in the equities markets since the October 19 crash and on the economic implications

A glum 100 days



IN THE 100 days after Black Monday, October 19, world share prices have dropped by almost as much as they did on the day of the crash itself. This sustained bear market is probably the most important development of the past 100 days. It shows up most clearly in the FT-Actuaries World Index, which tracks the performance of 2,443 blue chip stocks in 24 countries. On October 19 itself, this index, measured in each country's own currency, dropped 10 per cent. Since then, it has dropped another 9 per cent.

The worldwide bear market has been partly concealed from public attention by the fact that US stocks have bucked the trend. The Dow Jones Industrial Average in the World Index dropped by 20 per cent on Black Monday itself, twice the world average. They have since gained 8 per cent, to end only 13 per cent down from their pre-crash levels, the best performance of any major stock market. As the charts show, others have done worse. Australia is 38 per cent down from pre-crash levels; Britain 23 per cent; France 30 per cent; even Japan is 16 per cent down. All these markets have fallen, in some cases steadily, since Black Monday itself.

Against this gloomy background, four other trends stand out. The first is the immediate aftermath of the crash - now predominate. In almost all financial centres, share-trading volume has shrunk dramatically, putting a squeeze on a securities industry in which profitability is still closely linked to transactions volume. New securities issues have dried up across the board; after a pause, takeovers have started to pick up again, with cash buyers dominant. Economic growth has not so far been affected; in most countries economic forecasts have been only revised downwards slightly. Despite the lack of economic pessimism, institutional investors are buying down for bad times. A list of sectors which have outperformed the average reveals that the classic "defensive" stocks -

industries which will suffer least in a recession - have done best. Britain's investors illustrate this uncertainty. Enthusiastic speculation has been replaced by prudent abstention - but not by wholesale exits from the equity market. "There is indecision about even what the problem is," says Nick Knight of stockbrokers James Capel. "Investors don't know whether they should be worried about overheating or recession, the UK or the US, 1988 or 1989."

The big investment institutions have built up their cash positions from a low 2 per cent of assets to about 6 per cent. The number of bargains transacted in UK equities by the customers of Stock Exchange member firms halved in the last two months of the year from the average of the previous 10 months. (The falls in numbers and value of shares traded, however, were not so steep.)

In the US a similar pattern of uncertainty, and lower transactions volume has been taking hold. Immediately after the crash, Wall Street became remarkably confident and remarkably quickly that corporate America now offered investors a bargain. That optimism seems to have vanished. Trading volume on the New York Stock Exchange, running at over 260m on the busiest days before the crash, has rarely exceeded 180m so far in January. In West Germany, the drop in volume has been equally marked. Equity turnover has dropped sharply since October. From a peak turnover of almost DM 100bn a month in July 1987, it fell to DM 51bn in November and DM 29bn the following month. In Japan, where confidence remains healthy, trading volume in the world's largest stock exchange is starting to recover. In November, the market was down 60 per cent over the same period in 1986. But in December, volume was off 38 per cent in the Tokyo Stock Exchange's top tier stocks, showing that

things appear to be getting better. Foreigners exited Japan in droves until early this year, while individual investors remained net buyers. The Government's decision to ease the reporting regulations on Japan's huge Tokkin funds has improved sentiment in recent weeks. This in turn has helped to prompt the return of foreigners, at least for the time being. In France, the stock market has continued to decline steadily since the crash, with

the CAC Index now back to the levels of two years ago. Worse, the January account period, ending last week, showed the first signs that small investors were beginning to follow the institutional fund managers who had bailed out of equities in the immediate aftermath of the crash. In Australia, stock market volume is down dramatically, ranging between A\$100m and A\$200m in value daily; previously it might have been double or treble that.

Against this worldwide background of lacklustre markets and sluggish volume, new securities issues have dried up. In the US for example, Mr Robert Natale, editor of Standard & Poor's new issues newsletter, expects perhaps 10 to 15 new issues during February compared with 37 at the peak of issuing activity last August.

In Britain, too, new equity issues have vanished. Underwriters are not prepared to take the risks, and companies feel they would be rash to attempt issues in the current climate. Analysts still feel, however, that the Government's privatisation programme can proceed pretty well unchecked despite October's debacle. In France, the Government put off its plans to privatise two insurance companies, a bank, and the Matra electronics and defence group after the crash. The Matra privatisation was restarted last week. In Japan, also, new issue activity has been slow in recent months, but it has never been a major feature in Tokyo. The Government's sale

of the second tranche of NTT shares in November and its remaining stake in Japan Air Lines in December went smoothly, even though NTT shares have since drifted below their offer price. Further privatisation programmes, particularly the NTT sales, are expected to proceed as planned. With share prices depressed, some countries have seen a rash of takeover bids, most for cash. In Britain, a surge of all-cash offers will add substantially - perhaps by some £6bn - to the cash balances burning holes in the pockets of the institutions. In the US some very large deals have already been seen in the last couple of weeks. Figures from Mergers and Acquisitions magazine show \$16.5bn in takeover deals have closed since October 19 to the end of the year. That compared with \$188.5bn worth of deals in the rest of the year. Aetalian markets had revolved around takeovers, and the post-crash decline in

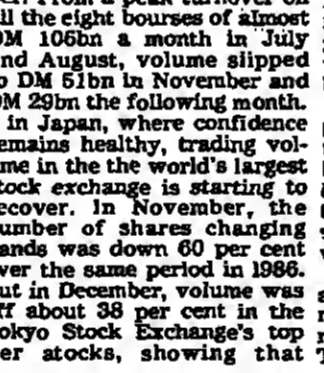
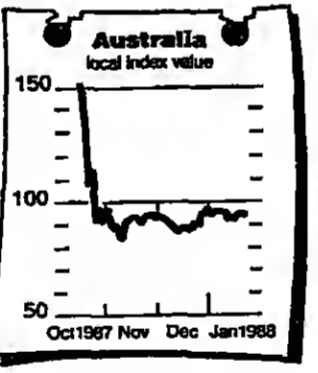
an estimated 3.7 per cent growth in the current fiscal year. In the US the Christmas season in department stores was disappointing but not dramatically so. The American consumer appears to have been only moderately dazed by the multiple blows suffered by the equity market, says Mr Fabian Lindner, executive director of the Conference Board's Consumer Research Centre.

Other indicators give a mixed picture. Housing starts plunged 16 per cent in December but, in the same month, the nation's factories operated at their highest level for eight years. The average forecast for US GNP growth this year has been revised downwards by a significant margin from around 3.5 per cent to around 2.2 per cent. There are wide variations on either side of that figure, however, with some economists looking for starting growth of 6.5 per cent, others negative growth of as much as 3.5 per cent.

In West Germany, Mr Gerhard Stoltenberg, the Finance Minister, admitted late last month he now expected domestic growth in 1988 to be as much as one percentage point lower after the fall in the dollar and upsets in world equity and foreign exchange markets. Mr Stoltenberg now predicted growth of between 1.5 and 2 per cent for this year against the 2.25-2.5 per cent he forecast before. Some economists still believe the lower figure to be optimistic. In France, the crash had no noticeable effects on consumption in the pre-Christmas period, and for 1988, the slowdown in consumption predicted by many economic analysts is linked more to a deceleration of earnings growth and an end to the decline in the savings rate than to any "wealth effect" resulting from the crash. In the state economic institute, calculates the total potential loss in bond and equity values during the crash at FFr 68.4bn, with households suffering perhaps

FFr 30bn of this, barely half a percentage point of GDP. In Britain, the consensus among independent economic forecasters for the prospect for output in 1988 has hardly changed since October and, if anything, has edged slightly upwards. The City's leading forecasters, for example, now expect growth of 2.6 per cent this year, against the 2.4 per cent they predicted in October. That slight adjustment gives a misleading expression of calm, however. The mood of Britain's economic forecasters has swung intermittingly between imminent overheating or prospective slump. Some things are clear. In the months immediately ahead of the stock market crash, Britain's economy was expanding at what Mr Robin Leigh-Pemberton, the Governor of the Bank of England, has called an "unsustainably rapid" pace. Output was rising at an annual rate of 6 or 7 per cent, savings were at historically low levels, consumer spending was buoyant even in comparison with the rapid growth of recent years, and evidence of capacity constraints was increasing. Since then, as yesterday's figures suggest, the trend towards a moderate slowdown, Confidence has been dented but by no means destroyed. The survey also suggests that the undoubted problems which the economy will face this year can be traced more to familiar British ills than to the crash: rising wages eroding British competitiveness at a time when the trade balance is sinking into the red and generating steady upward pressure on inflation. No one is predicting that the economy in 1988 will enjoy the easy ride of 1987. But the domestic economy at least has yet to show signs that the history of the 1930s will repeat itself.

Reports from Janet Bush, Philip Stephens, Alex Nicol, Haig Simonian, Chris Sherwell, Carla Rapoport and George Graham.



World Bank goes green

The World Bank is breaking fresh ground, or at least being trendy, in creating a new post of Director for Environment. Appropriately enough it has gone to a New Zealander, Kenneth Piddington, and his deputy will be a Swede, Erik Arrhenius. Piddington, born in England in 1933, first made his name in the New Zealand foreign service. He was much involved in watching the initially abortive British negotiations to join the European Community when it looked as if there would be no future for New Zealand butter. He then turned his attention to the South Pacific and, in 1980, became New Zealand's original Commissioner for Environment, a department subsequently split into two between environment and conservation. He comes now from the latter. Arrhenius is Professor of Management and Director of the Institute for the Management of Natural Resources at the University of Stockholm. Previous appointments in the field of environment were at a rather lower level in the World Bank hierarchy.

Sinking feeling

The annual report of the Institute of London Underwriters makes depressing reading, not only for its accompanying glossy pictures of last year's disasters but also for its pessimistic observations about an overladen industry chasing a shrinking market. Retiring chairman David Lowen, 60, complained of "desperate" competition from abroad where rates on hull, cargo and offshore business were being reduced to "what one can only regard as amusingly pathetic levels, were it not for the seriousness of the situation this is creating." Among the gloom, however, Lowen leaves a little room for optimism about an upturn for the shipping trade. His own barometer is Greece where ship

Twin towers

Archie Donaldson, who used to be group treasurer of ICI, has a new career as an hotelier. He noticed what should be obvious, but seems to pass many people by, namely, that some of the world's finest hotels are ridiculously cheap. In September 1986, when still at ICI, he bought an old family house in Dumfriesshire, part sixteenth century, part nineteenth century, for £135,000. Its condition was not all that bad, though it did need bathrooms. After spending considerably more than the purchase price on putting it into shape, and a certain amount of time on the planning stage, he now has an hotel with private fishing, a capacity to sleep 16 and a dining room that seats 24 people. It is called, as it has been always, Barjarg Tower, Barjarg meaning "the red hilltop" in some derivative of Gaelic. What is more, Donaldson maintains a separate existence as a financial consultant which, he says, is quite easy to do from Scotland. He is now 68, having left

Changing track

Stig Larsson, the man who turned round the information systems division at Ericsson, has been appointed General Director of Sweden's state railway, which is otherwise known as SJ. It is not a bad system, as state railways go, and in 1986 lost only SKr 430m (about £43m) on a turnover of SKr 16bn. But it is overstaffed, loses heavily on the tracks to the remote areas and the Social Democratic Government has ordered that it must be run like a private enterprise - with direct government subsidies, if necessary, to the local authorities to enable them to make their own transport decisions. It is a very big question how far Larsson will be allowed, or choose, to wield an axe.

Contracts count

John Rickards, who joins Nomura Securities today as the head of its nascent gilt-edged operation, has finally managed to sever his links with his old firm, W Greenwell and Co. He made his first attempt about two-and-a-half years ago, when Samuel Montagu bought out Greenwell. Rickards announced he would join Baring Brothers, but a degree of moral pressure was brought to bear together with a reminder of certain contractual obligations. As a former partner of Greenwell, he was not permitted to join a rival without first giving six months notice of his intention to do so. Following a sojourn in New York, and representing Greenwell Montagu on the board of the City-based Market Makers Association, he moved over to Samuel Montagu as a client relations director after Big Bang.

Japanese strings

Thanks to their super-strong currency, the Japanese have become big spenders in the luxury class of goods and services. Last year, minks, diamonds and Impressionist paintings were among the items in greatest demand. Now, it appears, Tokyo has become a magnet for stolen luxury goods. Tokyo police have arrested an American who was hawking a stolen Stradivarius violin around town. The scandal, however, was not the alleged theft of the precious instrument, but the price at which he was attempting to sell it. According to local press reports, he was pitching for about ¥125m (nearly £1m) - around four times its true value.

Contagious

A new disease is sweeping the City - Ralds (Rsduced Annual Income Deficiency Syndrome). It is a very big question how far Larsson will be allowed, or choose, to wield an axe.

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Rising exports are a prime force in the US farm recovery. Nancy Dunne reports

Washington, Oct 1: Acting Under Secretary of Agriculture Richard Goldberg announces plans for a \$300,000 (£112,360) promotion programme for US products in Japan, Hong Kong, Malaysia, Singapore and Taiwan.

Washington, Nov 18: Acting Under Secretary of Agriculture Milton Hertz announces an opportunity to sell an additional 10,000 head of dairy cattle to Turkey and a new opportunity for sales of 3,000 head to the People's Republic of China under the US Department of Agriculture's Export Enhancement Programme.

US EXPORTERS and agricultural producers are being bombarded with such "opportunities", created by the US Agriculture Department as it carries out its congressional mandate to retake "traditional" American markets from foreign competition.

Using subsidies, promotion programmes and direct sales, aided by lower prices and the falling dollar, the department has pursued its mission with considerable success. In mid-December, in its revised forecast of farm exports for the 1987-88 financial year, it projected sales totalling \$32bn and 141m tonnes - up from \$26bn and 109.5m tonnes in 1986-87.

There are five bustling days of the first half of the decade, when the US found its high price supports and strong dollar providing "a price umbrella" for the rest of the world, while American traders were driven from market after market by undercutting competitors.

With the rise in exports, US farmers are beginning to scramble out of their six-year depression. Cash farm income, swelled by lavish government payments, is estimated at a record \$47bn last year, compared with an average \$30.8bn per year in the prosperous 1976-79 period.

The \$49bn spent on Agriculture Department commodity programmes in the last year by the department has played a leading role in the recovery, but farmers also benefited from strong livestock profits.

Under its Secretary, Mr Richard Lyng, a shrewd former agriculture businessman, the department has paid out more than \$1.4bn in crop "bonuses" from government stockpiles to subsidise foreign wheat - not committed to various storage programmes - seemed to be growing scarce, the department began weekly wheat auctions to keep prices from rising to "uncompetitive" levels.

Almost unnoticed outside the grain trade, the department even has its own currency, issued in the form of commodity certificates, which can be exchanged for government-owned surplus crops. More than \$12bn of certificates have been paid out to farmers and traders under various schemes. They sell or trade them to exporters, which redeems the certificates when the price or deal seems propitious.

The Reagan Administration once strenuously resisted subsidies and said it initiated the bonus-giveaway Export Enhancement Programme (EEP) in 1985 only to persuade the European Community to stop "stealing" American markets through its own subsidies. However, the practice seems to be addictive, perhaps because it has proved so successful in recapturing markets.

According to Mr C. M. Harper, chairman of ConAg Inc, an agricultural firm, US wheat exports, which have benefited most from the EEP, will "bounce back 50 per cent this year" from the lows of 1985-86.

Answering criticism of the aggressive subsidy programme and its rising cost to the EC, which has paid to keep up with the US, he says: "We did not get any thanks in the early 1980s when we were providing the world price umbrella. Instead our competitors increased production, undercut US prices and took our markets. But the knife cuts both ways."

The US even increased its farm exports to the EC last year - by 5 per cent - and sales are expected to swell again. Having virtually exhausted the \$1.5bn, which Congress authorised for the EEP for the financial years 1985-88, the department has announced that the scheme will continue anyway, financed by its in-house bank, the Commodity Credit Corporation.

Neither the White House nor Capitol Hill has complained about the exceeding of budget expenditure and there has been no slackening of activity. Mr James Donald, head of the World Agriculture Outlook Board, has predicted a growth in US crop export volume of 10 per cent in 1987-88; smaller world supplies due to harvest and production cuts; increased consumption spurred by bargain basement prices; and declining grain stocks.

Grain exports to the developing countries would maintain their improvement, he said. The US market share, which dropped from 59 per cent of the world grain market in 1982-83 to 41 per cent in 1985-86, would rebound to 51 per cent in the coming year.



A harvest of new opportunity

paying off their debts at a brisk pace. The improvement has benefited the \$50bn Farm Credit System, which last year was granted a \$4bn congressional approval, half on it, instead of the \$6bn it was first thought would be needed. The Agriculture Department, meanwhile, with more than 12,000 employees in Washington and 100,000 around the country, has grown larger, more powerful and richer than many governments.

Last year it spent almost \$7.4bn on various activities and almost \$17bn in cash payments to farmers. Ironically, under an Administration which preaches restraint on central government, the department has been granted unprecedented authority to set farm support prices and intervene in the markets. It has driven down price supports to make crops more competitive, then subsidised the differences when they are not.

Restructuring is by no means complete. The highly leveraged farmers, who survived bankruptcy in recent years, are still enduring financial stress, but land prices - which shrank by \$300bn after 1981 - have begun to edge up again. The number of foreclosures has dropped and producers are

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American maize prices, depressed by lower price supports, have become increasingly competitive even without subsidies. The US share of the world market is now 67 per cent, up from 51 per cent in 1985-86, and traders say demand is at record levels, up 19 per cent in two years.

Although encouraged, the Agriculture Department is not yet ready to declare a sectoral recovery. It is pressing ahead with its marketing efforts, concentrating on added-value exports. Under its Targeted Export Assistance Programme, the department is disbursing \$110m a year in funds or commodity certificates to help producers finance foreign promotional activities. In one such effort, the US Feed Grains Council is advising the South Koreans on the production of corn chips to be sold at the Olympics.

Consumer electronics in the EC

Time for guidelines on inward investment

By Fred Burton

INVESTMENT in EC locations by Far Eastern producers of consumer electronics, at present concentrated in the colour television and video-cassette recorder (VCR) markets, is motivated primarily by the desire to counter the stronger yen and evade volume restriction agreements within the community.

The recent EC decision to extend anti-dumping duties to components imported into assembly plants has led to threats by investors to curtail their operations within the community.

In these circumstances it appears appropriate to assess the quality of this investment which, it is claimed, offers Europe the opportunity for full-scale production, contributes to job creation, technology transfer and the efficiency of local suppliers, and stimulates European exports. (Japanese Machinery Exporters' Association, Newsletter, Spring 1987).

In the 1970s, the European colour television industry generated over-capacity and sub-scale production, but the UK Government, in 1979, rejected a National Economic Development Council plan for the orderly rationalisation of the UK industry from 16 to six plants. The preference, shared elsewhere in Europe, was for joint-venture access to Japanese technology and free market adjustment to international competition.

Ironically, a similar fragmented structure has emerged in the 1980s, this time dominated by Far Eastern producers. In 1987 they intended to assemble components in 17 colour television and 25 VCR locations within the Community. But only one plant has attained the generally recognised minimum economic scale of 500,000 units per year, a level which was identified by the National Economic Development Council a decade ago.

Sony, Hitachi, Sanyo and Mitsubishi have declared large losses on their UK operations. Nor can the argument be sustained that there has been a net addition to jobs. First, European employment in consumer electronics fell, partly from productivity improvements, but largely from heavy penetration of European markets by Far Eastern producers, from 250,000 in 1976 (before VCR) to 120,000 in 1985.

Second, on current estimates, Far Eastern firms only employ 10,000 European production personnel. Third, whenever indigenous firms have been taken over, there has usually been a net loss of jobs, for example from 4,300 to 1,800 in three UK locations. Fourth, the tendency to source supplies and services from the Far East has led to the displacement of jobs in allied industries and the financial sector.

Technology transfer is negligible. Though Japanese firms account for 20 per cent of colour television and 90 per cent of VCR output in Europe, research, design and development functions are still centralised in the Far East. Japanese firms employ fewer than 50 European personnel in development; in research there are none. Thus, with low local content agreements (typically requiring local value added to be no more than 45 per cent) and a marked reluctance, in any event, to source from European suppliers, technology transfer is confined to job training and technical instruction to suppliers.

Technological inactivity in Europe, and the demise both of a local manufacturing capability and of innovations incorporating European components, deny European firms a marketing edge even in domestic markets, of which integrated circuits and displays, information technology and intelligent consumer electronics represent rapidly expanding strategic areas.

One justification for an open-arms approval of inward investment may be its potential for improving the EC balance of payments through lower imports and higher exports. A reduction in imports is to be expected. But although local production has grown faster than imports since 1983, reaching a ratio of 2.5 to 1 for Japan in 1986, a deflection of trade has taken place via imports from Hong Kong and the European Free Trade Area and trans-shipments from Singapore and Malaysia.

Far Eastern investment in the EC, operating under piece-meal rules and enjoying incentives and subsidies which place European firms at a disadvantage, is simply a single-minded export substitution strategy to avoid import duties.

A more strategic attitude by the European Commission appears to be justified. One initiative would be to rein back the counterproductive pursuit by development agencies and national authorities of limited short-term gains, which is subsidised which place European firms at a disadvantage, is simply a single-minded export substitution strategy to avoid import duties.

To transform inward investment from being a front for exports into a vehicle for genuine long-term contributions to the economic welfare of the Community, criteria might be expected to stipulate both research and development elements, knowledge-sharing agreements with local suppliers, higher local content ratios, exports out of Europe, controls on the back-door entry of products not covered in initial agreements and the rationalisation of sub-scale production.

Action of this kind would enhance the ability of Europe to influence technological development and standards and product innovations of strategic importance. This initiative, after all, would simply replicate the competitive conditions and interventionist strategies in the Far East, from which its industries derive much of their strength.

The author is an international economist at the University of Manchester Institute of Science and Technology.

The effect is feast or famine

From Mr R.J. Howling. Sir, I am sure that most of my colleagues in the accountancy profession in particular, and most businessmen in general, wonder why the Government accounts in the way it does, merging revenue and capital.

This basis is followed not only by all government departments but also in some respects by local government. Its effect is to cause feast and famine - depending on the capital situation arising annually.

Many people are advising the Chancellor to give away considerable tax reliefs in the next Budget, basing their thinking not only on the increased tax take, but also on the reduced public service borrowing requirement (PSBR), which is affected by the sales of government assets like British Airways, British Gas and so on.

If normal commercial accounting principles were applied, the capital spending requirements for the health service, education, expansion of the motorway systems and so forth would be funded from the capital receipts from the sales of the nation's assets, which should help to ensure that the requisite investment is made in a timely way, and that the income and expenditure accounts are only charged with normal and predictable depreciation. We could then look at a normal income and expenditure budget, based on a proper exploitation and return on the assets used.

I should hasten to add that on a current cost accounting basis, using current replacement costs, there would probably be a substantial deficit (given present Government allocations to the National Health Service) because of interest and depreciation charges. This would high-

Letters to the Editor

light the current reasonable requests that additional funds be provided for the health service, both for capital and income resources. I would find it interesting to learn why anybody should promote the continuance of the present Government accounting systems. What is their justification for doing so? R.J. Howling, Roakham, Old Coastguard Road, Sandbanks, Poole, Dorset

Recruiting will surely be difficult. From Mr David Wilson. Sir, Following Charles Batchelor's article on the Enterprise initiative ("Consultancy spread wider," January 19), it seems glaringly obvious why the new Department for Enterprise is going to have difficulty recruiting new enterprise counsellors.

The Department is proposing to pay £70 a day. Management consultants under existing Department of Trade and Industry schemes receive a maximum of £51 an hour - compared with the usual rate of £60 to £75 an hour for a senior consultant's time. Surely, not many qualified businessmen are going to be attracted to becoming enterprise counsellors when they can earn in an hour what they will be paid for one day's work with the new Department for Enterprise. David Wilson, 75 Downs Barn Boulevard, Milton Keynes, Buckinghamshire

Circuit breakers for the City?

From Mr Peter Bull. Sir, Sir Nicholas Goodison's article (January 20) on the international stock exchange's performance during the October storms diverted attention from the key questions. He argues that, in the three weeks October 21 to November 7, "in general individual investors were mainly buying, and 'investors accounted for two thirds of the record volume.' But it is grossly misleading to take a three week account when the London market fell over 20 per cent in two days. It is what happened then, both in market making and other branches of the industry, that needs to be examined.

Government policy has rightly encouraged the spread of individual share ownership. The plunge in October has probably set progress back: it has shown that the market can now fall so far, so fast, that individual investors cannot take protective action. Many practitioners believe that the difficulties experienced in dealing in shares, whether of smaller or larger companies, would not have occurred under the jobbing system.

What is needed is an independent inquiry into why New York's "meltdown" prompted partly by futures trading in Chicago and massive computerised selling on Wall Street, was translated by current trading mechanisms in London into a free fall, and whether "circuit breakers" of the sort recommended by the Brady Commission should be introduced here. Or are UK private investors so exposed to the machinations of Chicago and Wall Street that they would do better to stay out of the equity market completely? P.J. Bull, 88 Radnor Walk, SW5

The process of forgiving third world debt has barely started

From Mr Mike Fisher. Sir, Those whose main professional concern is with the revival of development among heavily indebted third world countries have reason to be grateful to Christine Shearman and Sterling, Bank of Boston and so on for pioneering the use of "special provisions," debt equity swaps, write-offs, competitive tendering for bonds, and all the other dishes currently being cooked up for the menu of options. There is a sense in which together these do indeed constitute - to quote your leader of December 30 - "A First Step Towards Reality."

But it is only a first step. The reality is that by the turn of the century several hundred billion of third world sovereign indebtedness is going to have to be not just rescheduled for-

ward, not just certified and sold at a discount, not just swapped ingeniously for, say, a Philippine copper mine or a Mexican hotel, not just converted into some safe country's zero coupon bond, but actually relieved, forgiven, extinguished. And that process has barely started, despite the commendable suggestions - in respect of African debt put forward by Chancellor Nigel Lawson.

Your leader page article of January 22 discusses "What it Costs to Forgive and Forget." Fair enough. It is indeed useful to have estimates of what future write-offs are likely to have to stretch to. But there are two ways in which the wording of that headline might be thought to be misleading. First, most of these bank

losses have for all practical purposes been incurred already. What each bank - along with its regulatory and tax authorities - mainly has to decide now is how and when to acknowledge those losses.

Second, the costs of not "forgiving and (to some extent) forgetting" would entail losses in national income foregone in the level of world trade, in the prosperity of exporters and eventually to the profit and loss accounts of the banks themselves - substantially greater than the costs that have to be borne as a result of an orderly process of conciliatory debt reduction.

Look at the matter this way. The sums of course are huge. But even if half of all third world indebtedness has to be extinguished over the next 10

years, one half of a percentage point in the growth rate of the GDP of the countries where the main creditor institutions are domiciled would exceed those losses. Disruptions resulting from attempts to recover sums that are, in foreign exchange terms, unrecoverable could easily give rise to losses in product that would be far greater than that. A corollary of this argument is that the banks concerned merit encouragement, sympathy and perhaps even a little surreptitious support in converting their special provisions into the judicious extinction of claims. Mike Fisher, The Institute of Development Studies, University of Sussex, Brighton

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FINANCIAL TIMES

Wednesday January 27 1988

COMMITMENT

That's BTR

Chris Sherwell in Sydney joins the revellers as Australia celebrates 200 years of nationhood

Sydney steals the show in spectacular style

THEY covered every patch of land with their boats and their discarded beer cans. From the water they were almost as much the show as the revellers.

Australia Day was celebrated all over the country yesterday, and all over its premier state, New South Wales. But it was Sydney's day, and the glory belonged to Sydneysiders and their stunning harbour.

About 2m people gathered on and around this magnificent stretch of deep water to ring in a third century of Australian nationhood, and they did so with a fervour that amazed even the revellers themselves.

Good-natured crowds, clutching flags and drinks boarded thousands of pleasure craft and gathered along miles of harbour foreshore to witness a historic re-enactment of the arrival of the First Fleet 200 years ago, a spectacular Tall Ships "Parade of Sail" and a dazzling fireworks display.

In kayaks, sleek power boats, yachts and public ferries they created a scene of joyful chaos. Ashore, throngs of people queued for hamburgers, pizzas and Perta-loos.

At one spine-tling moment, with orchestra and choir in full flow, 147 military aircraft flew in formation low over the Opera House as eight sailing ships re-enacted the arrival of Captain Arthur Phillip and 760 convicts, pulled into nearby Farm Cove at the end of an



Settlers ahoj: Prince Charles and Prime Minister Bob Hawke witness the arrival of the First Fleet, re-enacted in Sydney harbour yesterday

eight-month voyage.

In a keynote address during a simple Australia Day ceremony, Prince Charles said the best part of their story was that they made their prison into a new home where freedom became a reality for everybody.

Now, he said, almost every country on earth was "the Old Country" to some family in Australia. Australia is its own creation. But in a very real sense it belongs to the world. People from anywhere feel at home here. It's that sort of place.

Prime Minister Bob Hawke told the gathered throng that their common commitment to Australia and its future was what bound them all together. But Prince Charles seemed to suggest it was time Australians overcame their apparent identity crisis.

"If it takes regular visitors from an old country to help you decide whether you should be celebrating or not, my wife and I will be glad to be of assistance," he said to rising laughter.

Referring directly to the predicament of the country's original inhabitants, he suggested that a country "free enough to examine its own conscience" was "a land worth living in, a nation to be envied."

As he spoke, about 20,000 Aborigines marched to a city park for a mass meeting "to celebrate our survival." There were no reports of serious incidents.

Prince Charles, accompanied by the Princess of Wales and members of the Australian and New South Wales governments, later stood atop a naval ship in mid-harbour to take the salute from 166 Tall Ships.

They were led by the Young Endeavour, Britain's bicentennial gift to Australia. But as the big ships sailed elegantly by - including one four-masted 390-footer from Japan, another from Poland, still others from Ecuador, Spain and West Germany - an affair quickly became a parade of waterborne revellers.

Hundreds of small craft joined the crowded sail-past, cheering and waving. It was a potent reminder of the drawing power of the royal couple in Australia.

Last night, the city was treated to an 88 gun salute and a 20-minute fireworks display which ended with a breathtaking illumination of the Harbour Bridge, still Sydney's major landmark.

The revelry continued well into the early hours. As the festivities came to an end, people agreed they had seen nothing like it before, and were unlikely to see such a day again. That would be a pity, for despite the collective hangover likely to bedevil the city tomorrow, most would agree it was worth it.

THE LEX COLUMN

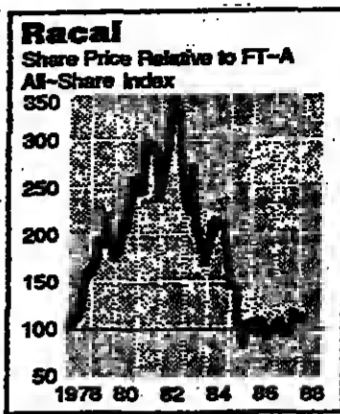
Half speed ahead at the CBI

The CBI's first quarterly survey since the crash is not all good news, but it presents a brighter picture than last week's official data. Manufacturing industry seems relaxed about prospects for output - exports apart, naturally - and with surplus capacity at an historic low point, investment intentions are at their most robust since the recession.

This need not, of course, rule out gloomier things to come; the new capacity planned in the late 1970s arrived just in time for the slump of 1980-81. But the picture still seems consistent with an orderly slowdown throughout this year, with perhaps a pause at the year end reminiscent of 1985.

The gilt market, which still years for a recession, reacted logically yesterday by falling back a point or so. Equities, by contrast, were unmoved. This could reflect a touch of scepticism about the predictive powers of British industry, but the market is not feeling very farsighted itself just now. Taken with the stolid response to bad news last week, it does seem that the market would do anything at present rather than take a decision.

The mood may not be sustainable for long. If only because volumes have now sunk to desperate levels not seen since before Big Bang. Beyond a certain point, overheads alone mean that to sit still is to make losses. Before long there could be a decisive break out of the present range of 1750-1800, and there is no telling in which direction. It could depend on whether the focus is on the slowdown in growth or on the fact that growth is there at all.



about one big company keen to weaken its uncomfortable dependence on cement. As an exercise in diversification, the move no doubt makes sense, as one of the strongest players in the large and fragmented home products market. Birmid would seem a good choice.

For Birmid, the coupling has fewer advantages. The company has built up a successful collection of strongly branded consumer products, and there is no particular reason to believe that more resources will mean better performance. However, if he wants to find a counter-bidder - and finding someone prepared to pay more than Blue Circle may not be easy - it had better hurry up. There was a sniff of victory about the case which Blue Circle was making up Birmid's shares in the market yesterday.

Racal Electronics

Racal knows all about frustrated expectations. For the past five years the company has managed to persuade the City that it would soon be making £140m pre-tax; each year the analysts have had to deflate their forecasts. This year may actually see the company hit the magic number, but only just, and only with a bit of luck.

Two days ago the City had been expecting closer to £150m for the full year. Yesterday's interim profit paid to that, and Racal's share price fell nearly 7 per cent as analysts scaled down full year forecasts to a figure a couple of million pounds either side of £140m.

Granted, operating profit from telecommunications shows a geometrical progression from £27,000 in last year's first half to £17m in this year's, with \$45m expected for the full year and £76m for 1988-89. This in turn is because the company is making money hand over fist from its Vodafone cellular telephone, a fact which seems only to heighten the poor quality of earnings in virtually every other area. Even the news that Vodafone's business had picked up by 18 per cent since the stock market crash failed to offset concern over non-telecoms operations. The group's security business is in trouble in North America; there are problems with data communications in Europe; the Third World is hurting the radio communications business; and at home, the MoD is squeezing security business. All Racal needs now is for OfTel to decide its high margins on Vodafone are not in the public interest.

Austrian arms sold to Iran, ex-chief says

BY JUDY DEMPSEY IN VIENNA

MR PETER UNTERWEGGER, the former general director of Noricum, the state Austrian arms company, said yesterday that he had sold weapons worth up to Sch4bn (\$338m) to Iran, violating a law that forbids the sale of arms to countries at war.

At the same time his lawyer, Mr Alfred Thewanger, said Noricum concluded an arms deal with Tehran worth Sch7bn but only Sch3bn to Sch4bn worth of business was carried out. Both men were speaking to the Austrian Press Agency.

Vost-Alpine, Noricum's parent company, declined comment on the statements before the release at the end of the week

of its internal inquiry into the arms scandal. The supervisory board of Vost-Alpine is due to have an emergency meeting on Friday to consider the inquiry's findings.

Mr Unterwegger, who was dismissed from Noricum in March 1985 and detained by police for questioning between last September and December, said a deal involving the sale of 140 artillery guns, plus munitions, was arranged with Iran in 1984.

Vost-Alpine denied the allegations when they surfaced in the press last September, saying that the company had

"never knowingly sold arms to Iran". But on Monday Dr Herbert Lewinsky, the chairman of the group, said company inquiries had hardened the suspicion that the allegations were well-founded.

Mr Unterwegger said that in 1984 the financial situation at Noricum's plant at Lietzen was "catastrophic" and he feared job losses. He implied that arms sales to Iran might have eased the crisis at the plant.

Vost-Alpine has been made huge losses over the past few years, with an estimated loss of over Sch4bn for 1987. Mr Unterwegger made a statement on the affair to an investigating

judge in the northern city of Linz on Monday. It is not clear if or when he will face charges.

The Austrian media alleged in September that the Noricum weapons which reached Tehran had been diverted from Libya.

The Austrian Government did acknowledge supplying weapons to Libya until the middle of 1984.

When asked if he would say during his trial who told him to make the sales and who had placed the orders, Mr Unterwegger told the newsworld: "I won't name names or give details now or later for my own personal safety."

Writer's silence costs £20,000

By Raymond Hughes in London

MR JEREMY WARNER, business correspondent of the London daily newspaper, the Independent, was yesterday fined £20,000 by a High Court judge for refusing to reveal his professional sources to inspectors from the government's Department of Trade investigating suspected insider dealing.

Under the 1986 Financial Services Act, Mr Warner could have been jailed for up to two years for what is regarded as equivalent to a contempt of court.

However, Sir Nicolas Browne-Wilkinson, the Vice-Chancellor (senior judge) sitting at the Chancery Division, decided that, although it was a serious case, because of the circumstances - which included Mr Warner's genuine conscientious objection - it would be inappropriate to send him to jail.

Such a course, the judge said, would be more likely to create "a martyr." Sir Nicolas emphasised that journalists were not above the law.

"Parliament in a democratic free society lays down what is the law. Journalists are no more entitled to say 'I will not comply because it is not good for anyone else,'" Sir Nicolas warned.

Fleming/S&P

There are several reasons why Robert Fleming's purchase of the minority of the shares in its Save & Prosper unit trust operation makes sense. The most obvious is that it is buying full control of one of the UK's biggest and most respected fund trusts at roughly half the price paid only five months ago when Britannia Arrow bought NatWest's unit trust business.

The comparison looks even better when account is taken of the inevitable shrinkage in the NatWest funds post-crash. In addition, it reinforces Fleming's position as the second biggest UK fund manager after the Pru, and makes it an even bigger player on the international fund management scene.

While some of S&P's managers may have once harboured dreams of floating their group on the stock market at some

Birmid/Blue Circle

Whatever Blue Circle's final bid for Birmid Quacast lacks industrial logic, it makes up for in terms of price. Even the staunchest believer in Birmid must admit that 380p - 90 per cent more than the pre-bid price - is fair, and that an offer multiple of 16 is high for a company with one toe still in the foundry business.

However, the descriptive passages of Blue Circle's final offer make less persuasive reading. No matter of pie charts depicting the overlap between the two groups can distort the fact that home products now account for less than 5 per cent of Blue Circle's operating profits. Neither is it immediately apparent what Birmid's lawn mowers can bring to Blue Circle's stable.

For all the talk about two related companies getting together to mutual advantage, the bid is really

Bonn and Prague keen to improve links

BY DAVID MARSH IN PRAGUE

WEST GERMANY and Czechoslovakia yesterday declared interest in improving economic and technological links, spreading into areas such as reactor safety and the environment.

On the first day of an official visit to Prague by Mr Helmut Kohl, the West German Chancellor, spokesmen for both sides hailed the warmth of talks between the governments but left open practical details about future co-operation.

The two governments yesterday signed an agreement setting up common rights for use of waterways in both countries, above all affecting navigation

on the Elbe and the Danube. This will be of particular importance when the Rhine-Main canal is opened in the 1990s, enabling barges to ply between the North Sea and the Black Sea.

Mr Kohl sidestepped direct reference to the Czech dissent movement, Charter 77. The Prague Government's restrictive treatment of the movement has raised criticism from Bonn.

Mr Kohl's main talks yesterday were with Mr Lubomir Strougal, the reformist Czech Prime Minister, whose position

in Prague has recently been put in doubt. A more important test of future relations will come today when Mr Kohl becomes the first Western leader to have talks with Mr Milos Jakes, appointed as Czech party chief in December.

Only one hour of talks between the two men is, however, scheduled today, underlying Mr Jakes' cautious approach to his new job.

At a dinner last night for Mr Kohl, Mr Strougal hinted at Czech impatience over economic links when he said more had been discussed than carried

out in the past over economic co-operation.

Mr Strougal also brought up the long-standing Warsaw Pact suggestion of a zone in Central Europe free of both chemical and nuclear weapons. Bonn has said it believes this would expose the West to greater dangers from the Soviet Union's superior conventional forces.

On industrial links, the Czech Foreign Ministry spokesman, said yesterday that the Volkswagen car group was discussing co-operation in motor engines with Skoda, the Czech car-maker.

FAO under more fire

Continued from Page 1

Educational, Scientific and Cultural Organisation (Unesco) at the end of 1986.

Britain will inform Mr Edoardo Sautoma, the 61-year-old Lebanese who was re-elected last November as FAO director-general for an unprecedented third six-year term, that "it is not going to be in a position" to find the funds "at the moment" for Britain's subscription, which fell due at the end of the year.

Britain will, instead, give priority to other ways of funding policies to increase agricultural production and alleviate famine in Africa and other parts of the developing world, particularly through bilateral aid.

However, it was stressed in London yesterday that Britain did not intend to go into a semi-permanent arrears as the US has done.

The delay in paying the annual contribution would not be extended beyond the end of this year, though the same soft-peddalling tactics could well be used later if the radical reforms requested by the FAO's

industrialised members are not implemented.

In postponing its contribution, Britain will be joining one of the least exclusive clubs within the organisation.

More than 40 members are in arrears on their 1986-87 contributions to its \$497m budget, led by the US, which owes more than \$67m out of total membership arrears of some \$92m.

Britain's attitude towards the FAO is, to say the least, ambiguous.

Unlike its dismissive view of Unesco, which the UK Government accused of mismanagement as well as dilatoriness, it does not look upon the FAO as "a waste of time."

The organisation's substantial contribution to the modernisation of agriculture in developing countries and to the fight against famine is recognised in London.

However, Britain has become increasingly exasperated and has proposed the introduction of modern management methods

The Thatcher treatment

Continued from Page 1

taboo.

Mrs Thatcher announces a wide-ranging internal review, which will not be random. It will be within the ruling Conservative Party, in response to public frustration with the existing position. The final stage is the bringing forward of a detailed plan and legislation.

The health debate is now moving from frustration and the airing of ideas to the announcement of a review. The process will not be random. Mrs Thatcher may not have a dogmatic ideological position, but she does have firm values, favouring greater private provision and against a monopoly by current state authorities.

Like the debate of the past two years leading up to the current education reform bill Mrs Thatcher is having no truck with time-consuming Royal Commissions or other long-winded reviews.

There are so far two key differences. Each change in the past has involved a new minister and more money. But Mr John Moore, the Social Services Secretary, is now being given the chance to do the job. Many ministers and Tory MPs believe that more money will be needed in the transitional phase - to fund the restructuring of nurses' pay and to ease the problems of hard-pressed health authorities.

The episode demonstrates both the strengths and weaknesses of Mrs Thatcher's style of government - the initial uncertainty in response to crisis, departments waiting for a lead and then a decisive initiative leading to radical change.

Historians may see recent events as the carefully conceived creation of an opportunity to restructure the NHS. But to participants, and current observers, Mrs Thatcher's latest move looks more like a rushed attempt to regain the political initiative.

Thatcher and her senior colleagues was, until very recently, to leave any fundamental restructuring of the NHS until the possible fourth term of office after the next election, which is not due until 1991. All this has now changed, with a major shift in priorities to put the NHS at the top of the political agenda decided upon in the past few days.

The announcement - during a BBC TV Panorama interview on Monday night - followed several weeks in which the British Government has been on the defensive in face of daily television news reports of ward closures, an open revolt by a growing number of doctors and threatened disruptive action by nurses.

There had been a growing volume of complaint by ministers and Tory backbenchers about the need for a political lead. Hence Mrs Thatcher's initiative, coupled with her best parliamentary performance on the issue in weeks, was warmly welcomed yesterday by Conservative MPs. "The change in the Tea Room and the Smoking Room like it," according to one senior Tory official. The pattern is familiar, and indeed Mrs Thatcher herself has drawn a parallel with previous reconsiderations of education, housing and local government finance. First, problems are highlighted by particular incidents and hardship cases - such as the teachers' strike or the financial squeeze on some health authorities. Then the whole focus of media and political attention turns on the area and underlying weaknesses are debated.

At first, the Government appears to be dithering - denying that the solution lies in any more public money. However, Mrs Thatcher and her advisers encourage the airing of free-market solutions, such as opting out of local authority control by schools, which were previously regarded as politically

World Weather

Area	Temp	Wind	Cloud	Precip	Humid	Visib	Pres
Amsterdam	10	11	10	0.2	85	10	1015
Antwerp	10	11	10	0.2	85	10	1015
Brussels	10	11	10	0.2	85	10	1015
London	10	11	10	0.2	85	10	1015
Paris	10	11	10	0.2	85	10	1015
Frankfurt	10	11	10	0.2	85	10	1015
Berlin	10	11	10	0.2	85	10	1015
Munich	10	11	10	0.2	85	10	1015
Zurich	10	11	10	0.2	85	10	1015
Geneva	10	11	10	0.2	85	10	1015
Lyon	10	11	10	0.2	85	10	1015
Madrid	10	11	10	0.2	85	10	1015
Barcelona	10	11	10	0.2	85	10	1015
Valencia	10	11	10	0.2	85	10	1015
Seville	10	11	10	0.2	85	10	1015
Alger	10	11	10	0.2	85	10	1015
Cairo	10	11	10	0.2	85	10	1015
Jerusalem	10	11	10	0.2	85	10	1015
Tel Aviv	10	11	10	0.2	85	10	1015
Athens	10	11	10	0.2	85	10	1015
Sofia	10	11	10	0.2	85	10	1015
Belgrade	10	11	10	0.2	85	10	1015
Prague	10	11	10	0.2	85	10	1015
Warsaw	10	11	10	0.2	85	10	1015
Stockholm	10	11	10	0.2	85	10	1015
Oslo	10	11	10	0.2	85	10	1015
Reykjavik	10	11	10	0.2	85	10	1015
Helsinki	10	11	10	0.2	85	10	1015
Tampere	10	11	10	0.2	85	10	1015
Turku	10	11	10	0.2	85	10	1015
Bombay	10	11	10	0.2	85	10	1015
Calcutta	10	11	10	0.2	85	10	1015
Delhi	10	11	10	0.2	85	10	1015
Rangoon	10	11	10	0.2	85	10	1015
Manila	10	11	10	0.2	85	10	1015
Hong Kong	10	11	10	0.2	85	10	1015
Beijing	10	11	10	0.2	85	10	1015
Tokyo	10	11	10	0.2	85	10	1015
Osaka	10	11	10	0.2	85	10	1015
Seoul	10	11	10	0.2	85	10	1015
Yokohama	10	11	10	0.2	85	10	1015
Singapore	10	11	10	0.2	85	10	1015
Bangkok	10	11	10	0.2	85	10	1015
London	10	11	10	0.2	85	10	1015
Paris	10	11	10	0.2	85	10	1015
Rome	10	11	10	0.2	85	10	1015
Madrid	10	11	10	0.2	85	10	1015
Washington	10	11	10	0.2	85	10	1015
New York	10	11	10	0.2	85	10	1015
Houston	10	11	10	0.2	85	10	1015
Los Angeles	10	11	10	0.2	85	10	1015
San Francisco	10	11	10	0.2	85	10	1015
San Diego	10	11	10	0.2	85	10	1015
Portland	10	11	10	0.2	85	10	1015
Seattle	10	11	10	0.2	85	10	1015
Denver	10	11	10	0.2	85	10	1015
Chicago	10	11	10	0.2	85	10	1015
Philadelphia	10	11	10	0.2	85	10	1015
Atlanta	10	11	10	0.2	85	10	1015
Miami	10	11	10	0.2	85	10	1015
New Orleans	10	11	10	0.2	85	10	1015
Mobile	10	11	10	0.2	85	10	1015
Birmingham	10	11	10	0.2	85	10	1015
Memphis	10	11	10	0.2	85	10	1015
Indianapolis	10	11	10	0.2	85	10	1015
Columbus	10	11	10	0.2	85	10	1015
St. Louis	10	11	10	0.2	85	10	1015
Kansas City	10	11	10	0.2	85	10	1015
Omaha	10	11	10	0.2	85	10	1015
Minneapolis	10	11	10	0.2	85	10	1015
Portland	10	11	10	0.2	85	10	1015
Seattle	10	11	10	0.2	85	10	1015
San Francisco	10	11	10	0.2	85	10	1015
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Los Angeles	10	11	10	0.2	85	10	1015
Houston	10	11	10	0.2	85	10	1015

SECTION III

FINANCIAL TIMES SURVEY



UK fleet car sales now exceed 2m, with manufacturers geared more than ever to market share. Fierce competition among specialist companies which provide fleet-related services is creating new types of contract on offer to car and truck users. John Griffiths reports.

Buyers spoilt for choice

UNEXPECTEDLY strong growth in fleet sales has emerged as one of the main factors in the UK new car market last year, exceeding 2m units for the first time.

Manufacturers' sales to companies operating 25 vehicles or more rose by 15 per cent to a record 842,785 units. This represented nearly 28 per cent of all new car sales, a rise of more than 2 percentage points on 1986.

With the average value of a fleet car purchase now, widely estimated to be about £8,000, it is easy to see why manufacturers have been courting the fleet sector so assiduously lately. Last year's purchases represent a sales value of about £4bn.

Yet even these figures substantially underestimate the value to vehicle producers of the UK's business sector.

For when partnerships, one-man businesses and other companies in which vehicles are used essentially for business but registered in individuals' names are taken into account, the true figure is reckoned to be about 60 per cent of all new car registrations - according to estimates by Ford, Austin Rover, Vauxhall and others.

For a time after the Black

Monday stock markets crash in October, it was thought in much of the motor trade and industry that one consequence would be a downturn this year in virtually all areas of the UK and other car markets.

However, while wider uncertainties about the dollar and US trade deficit remain, the continuing high level of UK company profits, a still-growing UK economy and the prospects of a benevolent Budget have been combining to dispel much of the gloom.

Motor industry analysts such as Prof. Garel Rhys, Professor of Motor Industry Economics at the University of Cardiff, say it is just possible that the total market this year will once again be around the 2m mark, with the companies and fleet sector making a similar contribution to volume as last year.

Without question, company buyers will be more than usually spoilt for choice this year.

Ford, Vauxhall and Austin Rover, which between them dominate UK business car sales with a combined share of about 50 per cent of the 25-plus fleet sector, will face additional competition on two particular fronts.

One is in the form of the Peugeot 405 saloon, voted Car of the Year in Europe and a rival for the fleet market - led by Ford's Sierra, Vauxhall's Cavalier and Austin Rover's Montego.

That it is being built at Peugeot Talbot's Ryton plant, at Coventry, alongside the smaller Peugeot 309, has led the French group's UK subsidiary to expect it soon to be placed on many companies' "approved list" of vehicles which may be chosen by their company employees - the now-ubiquitous "user-choosers."

The other competitor takes the shape of Nissan's Bluebird saloon, also a would-be "Sierra basher", production of which is being increased to 50,000 this year from 29,000 in 1987 at



Geoffrey Whalen, managing director of Peugeot Talbot, with Peugeot 405 models produced at the Coventry plant

Tony Andrews

Vehicle Fleet Management

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CONTENTS	
Car market	3
Tax benefits	4
Company car policies	5
Acquisition policies	6
In-house management	7
Contract hire	8
Profile: Marks & Spencer	9
Van market	10
Truck market	11
The public sector	12
Profile: British Telecom	13
The new cars tested	14
Profile: Colt	15
New trucks tested	16
Profile: Browns Transport	17
Charge cards	18
Profile: Honeywell Bull	19
Distribution trends	20
Trailers	21
The evolving fleet car	22
Diesel cars	23

In its guide of two years ago, Monks showed 78 per cent of large companies buying outright (6 per cent opting for contract hire); 49 per cent of medium-sized companies (23 per cent contract hire) and 52 per cent of smaller companies (20 per cent contract hire).

Even the British Vehicle Rental and Leasing Association, however, is not really sure of the size of the contract hire and leasing market.

This is for the simple reason that it has to rely on its members to submit information, in the absence of any information of this type being required on the Department of Transport's vehicle registration document.

Yet even some of the best-known names do not make returns and there is an acknowledged tendency among others to tell what Mr Brian Mahoney, operations director of Keating Leasing and a former BL (now Rover Group) marketing director, calls "fishermen's tales" about the size of their individual businesses.

Criticising the industry from within, Mr Mahoney points to the wide spread of estimates about growth as an indicator that the contract hire business has yet to get itself into orderly shape.

Such a divergence is wholly unsatisfactory for planning purposes and planning is just what the industry needs.

Given the trend indicated by Monks, he suggests, "industry is progressively divesting its responsibilities for its vehicle fleets and it is the responsibility of the contract hire industry to make the appropriate response. For this it needs official basic data and much better planning."

Other areas of the business are emerging in which the industry appears to be in danger of shooting itself in the foot in terms of its image.

Continued on page 4

2 LITRES UNDER THE BONNET.

ES13 RVW

800 LITRES ON THE BACK.

If you're looking for a pick-up with plenty of power, look no further. The new Ford P100 is exactly the kind of vehicle you need.

Lift the bonnet and you'll discover a 2 litre engine that delivers 77 PS. at 4900 R.P.M. But just because it's powerful, it doesn't mean it's thirsty. Its standard five speed gearbox helps by keeping top end revs down.

Needless to say, it's as tough a workhorse as any on the road. Its loadbox and tailgate are double-skinned for added strength. Its cab protection frame is reassuringly solid. And thanks to its strongly built box section chassis its 7' by 4' 6" loadbox can carry just over one tonne* with ease.

Once inside the P100 you'll find it's as easy to drive, as well equipped and as comfortable as a car.

Standard features include a push button radio and individually adjustable bucket seats in a hard wearing cloth trim with carpets. A heavy duty interior package is also available in PVC trim with rubber mats. And the new Ford P100 is now available at a very reasonable £6310*.

So why not come in and see one, soon? When you have, you won't look back.

For your nearest Ford dealer, or a copy of our new Commercial Vehicles Brochure, call Teledata on 01-200 0200, anytime.

THE NEW FORD P100 PICK-UP

*MAX. PRICE INCLUDING VAT AND DELIVERY AND IN-HOUSE FINANCE. EXcludes 10% V.A.T. IN PRICE. SEVERAL IN THE ORDER. ALL CARS AND PARTS ARE COVERED BY THE WARRANTY.

THE NEW PEUGEOT 405. TAKES YOUR BREATH AWAY.



The new British built Peugeot 405 was a success, even before the launch.

The gentlemen of the press, a hardnosed bunch if ever there was, have been effusive in their praise.

But will you be similarly impressed with this most original 4 door, 5 seater family saloon?

We sincerely hope so.

Perhaps the first thing to take your eye is that sleek body style.

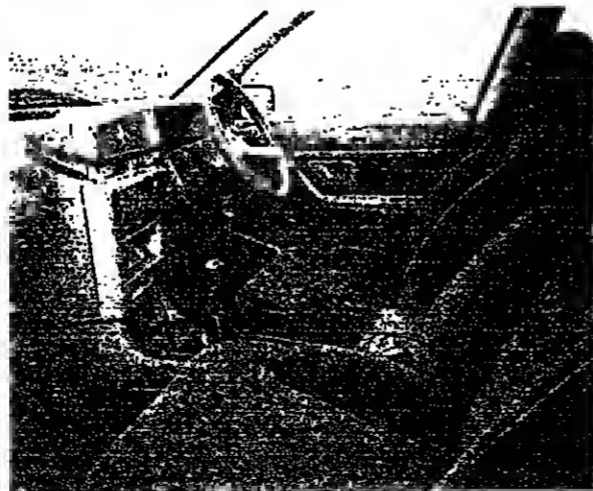
No car in its class has a lower drag factor.

Wrap-over doors, the elimination of conventional drip channels, flush-fit bonded windscreen and rear window all conspire to reduce wind-noise and so improve aerodynamics. (Thus affording excellent fuel economy.)

Look closer and you'll find that the eye-catching design incorporates many smaller

points, showing an almost obsessive attention to detail.

Like mounting the windscreen washer jets on the wiper arms. The spare wheel mounted under the boot floor, for easier access. The wide rear doors, for ease of entry. And a whole lot more besides.



Inside there's a tilt adjustable steering column. Remote control rear-view mirrors. Height adjustable front seat belts. Hinged radio cover. And a 'lights on' warning buzzer, all fitted as standard.

As you can see from the spacious interior, luxury too comes as standard.

With a wide selection of fine upholstery and carpeting combinations.

But to fully appreciate the 405, you really must get behind the wheel and drive it. For when it comes to handling, and performance,

Peugeot have virtually cornered the market.

The all aluminium alloy, ohc engine, allied to a five speed box and much praised Peugeot suspension proves to be a potent combination. Making this a real driver's car.

While off the road (to think of such a thing!) the 405 is designed to spend an absolute minimum of time in the service bay. With a battery of labour and money saving features.

There are 8 models to choose from, with varying levels of specification, culminating in the top of the range, 124 mph GTX Injection.

Heralding a new era in car production, the 405 has just been voted 'European Car of the Year,' by a jury of respected journalists.

Obviously it took their breath away.

May we suggest you take a test drive and experience the sensation yourself?

PEUGEOT 405
THE LION GOES FROM STRENGTH
TO STRENGTH.

FOR A FULL INFORMATION: PACE ON THE 405 RANGE, CALL US FREE ON 0800 400 405 (24 HOURS A DAY)

هنا من أجل

VEHICLE FLEET MANAGEMENT 3



The Montego, Vanden Plas automatic, Montegos, with Ford Sierras and Vauxhall Cavaliers, lead the intensely competitive fleet market

Car sales

Pitfalls in buoyant market

LAST YEAR was an exceptionally gratifying one for Ford in the UK business car market. It was the year in which its Sierra model, the subject of "returned jelly mould" and other uncomplimentary ngly ducking phrases at its launch, became the fleet car buyers' undisputed favourite.

Five Ford models, representing its entire range now that production of the Capri has finished, had places in the Top Ten list of best sellers bought by companies operating 25 cars or more - regarded as the mainstream fleet market.

Its 287,605 sales into this market increased from 224,995 in 1986, representing a share of 49.3 per cent, up from 47.8 per cent a year earlier.

In contrast, General Motors' UK cars subsidiary, Vauxhall/Opel, saw its share of the market fall by more than 3.5 percentage points to 24.2 per cent. The fall was due partly to commercial factors. After Vauxhall's net loss of more than £64m in 1986, only the latest in a string of losses, the edict went out from GM that profitability was to be restored as a matter of urgency - even at the expense of losing some of the substantial market share. Gains Vauxhall had made since 1982.

Just before he left to take up

a new GM job in his native Australia, former Vauxhall chairman Mr John Bagshaw confirmed at the end of last year that Vauxhall was on course to make an operating, and possibly net, profit.

But there has certainly been a penalty in terms of lost market share as Vauxhall has withdrawn from the financial incentives which had helped its progress in the market.

The sales setback was not confined to the fleets. In a total new car market which increased by 7 per cent to exceed 2m units for the first time, Vauxhall not only lost market share - down from 15.1 per cent to 13.5 per cent - but unit sales as well.

The particular buoyancy of the fleet market itself, which grew at a rate more than double that of the new-car market as a whole at 15.2 per cent, meant that Vauxhall did manage to increase its fleet unit sales marginally, to 131,160 from 130,575 in 1986.

But the gains came from its new Carlton/Senator executive car range and the Astra hatchback while what was once its fleet mainstay, the Cavalier, lost ground heavily last year.

Cavalier sales to the fleet sector fell by 6 per cent at a time when those of its arch-rival, the Sierra, rose by 29.8 per cent.

The trouble is that both fleet operators and the employees to whom they allocate cars are now well aware that Vauxhall's replacement for the Cavalier is due to be launched before the end of this year. And with the now prevalent practice of companies allowing their employees and directors to be "user-choosers" who may select their model from a short-list of, usually "British"-badged cars, the current Cavalier's popularity inevitably has declined.

An obvious question arising from this is how far Vauxhall can allow its sales to retrench, pending the arrival of the new Cavalier, before it feels obliged to take remedial action in the market in the form of some type of financial incentive?

Even more disconcerting, if the pessimists who believe the car market will be starting to turn down at the end of this year are proved correct, will Vauxhall have to give incen-

tives even on the new Cavalier in order to recoup ground lost to rivals whose positions are likely to strengthen further during the course of this year?

In short, could the UK new car market, and particularly the fleet sector, be heading for a revival of the disorderly marketing practices which have done so much to sap manufacturers' profits in recent years but which, over the last 12 months or so, have abated?

Mr Arthur Way, motor industry analyst with the Economist Intelligence Unit, has suggested that the risk of this happening is now quite real, based on his forecast that the total UK market this year will decline to what he says is its "natural" level of about 1.85m units.

Others are more optimistic, not least on the grounds that so far there is not the slightest sign of new car demand weakening. On the contrary, in the opening ten days of sales in January, registrations were a further 15 per cent ahead of the equivalent year-ago period.

Even the Society of Motor Manufacturers and Traders, which is usually conservative in its forecasts, has suggested informally that total sales could once again hover around the 2m mark this year.

Both Mr Bagshaw and his successor at Vauxhall, Mr Paul Toesch, have stated firmly that Vauxhall has no intention of "buying" sales again. And Mr Geoffrey Whalen, managing director of Peugeot's UK subsidiary, Peugeot Talbot, says he believes, or rather hopes, that manufacturers have learned their lesson about the financial consequences for their long-term health of disorderly marketing.

Mr Whalen's views have particular significance this year, for it marks the start of an effort by Peugeot to penetrate the heart of the UK fleet market with its 405 saloon range.

Because the car is built at Ryton, where its production is adding about 1,000 jobs this year, Mr Whalen expects the 405 to gain a place on the approved lists of company purchasers, and many suspect that his estimate that the 405 could capture 2 per cent of total UK sales is a conservative one.

Rover Group, which reported a record net loss of £892m for 1986 but is expected to announce an operating profit for last year, also appears unlikely to fire the first shots in a discount war.

And this is not only because chairman Mr Graham Day, like Vauxhall, is also much more concerned to make profitable sales than obtain volume for volume's sake.

The statistics for last year reveal a long-sought upturn in the fortunes of Austin Rover, the UK State-owned car group, in the fleet sector. Its share increased by more than 2 percentage points to reach 16.8 per cent from 14.8 per cent.

Unit sales rose to 90,070 from 67,690, with much of the rise accounted for by a jump in sales of the Rover 200, built under licence from Honda, to 19,000 units (from 10,756). But the Montego also increased its unit sales and the Rover 600 is getting increasing acceptance.

The fleet market itself expanded by more than 70,000 units to reach 642,780 compared with 471,000.

This growth in part reflects last year's record total new car sales increase to a record 2,013m units from 1.89m in 1986. However, the share of the total taken by fleet sales also grew, to 27.1 per cent from 25 per cent.

The statistics highlight how little penetration of the fleet market proper has been made by all other would-be competitors outside the Big Three. And that applies as much to Peugeot/Talbot as anyone.

Even though, like most other companies, it can claim correctly that its sales to small business users account for a valuable proportion of its sales, its penetration of the 25 cars-plus fleets sector last year was still only 2 per cent. Renault, which first of the "also-rans" with 3 per cent, Fiat had 1.2 per cent and Audi/Volkswagen 0.9 per cent.

A measure of the task facing Nissan, which is increasing production of its Bluebird model in the UK to 50,000 vehicles this year, is that its share last year was just under 0.8 per cent, or 4,765 unit sales.

John Griffiths

Cars remain a key pay perk, says Bill Packer

Income tax 1987/88 and 1988/89 (£s)

Cars with original market value up to £19,250 and having a cylinder capacity:	Cars				
	Under 4 years old	4 years old or more	Car petrol 1987/88 and 1988/89	Car petrol 1987/88 and 1988/89	Car petrol 1987/88 and 1988/89
1400 cc or less	580	525	380	350	480
1401 cc - 2000 cc	770	700	520	470	600
Over 2000 cc	1,210	1,100	900	725	900

Cars with original market value up to £19,250 and not having a cylinder capacity:	Cars				
	Under 4 years old	4 years old or more	Car petrol 1987/88 and 1988/89	Car petrol 1987/88 and 1988/89	Car petrol 1987/88 and 1988/89
less than £ 6,000	580	525	380	350	480
£6,000 - £ 8,489	770	700	520	470	600
£8,500 - £19,250	1,210	1,100	900	725	900

Cars with original market value over £19,250:	Cars				
	Under 4 years old	4 years old or more	Car petrol 1987/88 and 1988/89	Car petrol 1987/88 and 1988/89	Car petrol 1987/88 and 1988/89
£19,251 - £29,000	1,595	1,450	1,070	970	900
Over £29,000	2,530	2,300	1,685	1,530	900

VAT from 6 April 1987

Engine size	Quarterly scale		Monthly scale	
	£	£	£	£
Up to 1400 cc	120 (15.65)	40 (5.22)	40 (5.22)	40 (5.22)
1401 cc - 2000 cc	150 (19.58)	50 (6.52)	50 (6.52)	50 (6.52)
Over 2000 cc	225 (29.34)	75 (9.78)	75 (9.78)	75 (9.78)

VAT at 15 per cent is shown in brackets

Tax rules are still generous

then one car is provided. Not surprisingly, the scheme extends to cars provided for the use of members of an employee's family.

This scale applies only to the provision of a company car and therefore covers the benefit of depreciation and expenses such as leasing, repairs and maintenance, insurance and licences.

All these expenses should be deductible by the employer in accordance with normal tax principles except that some adjustment may be required where the car costs more than £8,000.

A separate scale applies where petrol for private use is supplied by the employer. Again this depends on the size and cost (but not age) as shown in the table. A 50 per cent reduction for high business mileage (18,000 miles a year or more) is given as above, but no increase is applied for low business mileage.

Where an employee makes

particular "perk" is any longer tax efficient.

Obviously much depends on the size of the car and the mileage, but looking at the case of an individual running a 2 litre vehicle for an annual mileage of 10,000 the latest available AA figures set the annual overall cost at £4,007.

For the current year 1987-88, the total scale charges would be £1,900; at a marginal rate of tax of 50 per cent, this would actually cost the individual £950 in tax, so that there is evidently still a substantial saving here.

On the other hand, it is possible that for an individual with a low private mileage the cost in extra tax, particularly on the petrol scale, could exceed what it would cost out of his own pocket.

If this is the case it may be appropriate to consider some other arrangement.

So far as employers are concerned, an added problem and an added cost in relation to private petrol supplied to employees has now been brought in the form of Value Added Tax.

With effect from April 8 1987, the Inland Revenue petrol scale is also to be used for VAT purposes, though only by reference to engine size.

The amounts laid down in the scale will be treated as VAT-inclusive at the employer will be required to account for output tax accordingly. The amounts prescribed are shown in the second table.

The scale charge is reduced by 50 per cent where the business mileage exceeds 4,500 a quarter (corresponding of course to the income tax threshold of 18,000 miles a year). However if the employee pays a larger amount by way of contribution for private petrol, this is to be taken as the measure of the tax-inclusive supply for VAT purposes.

One important difference between the VAT and income tax treatments must be emphasised. The VAT scheme applies to all "business" cars, not just to those used by directors and higher-paid employees.

Thus the new scale will apply to cars used by non higher-paid employees as well as to those already within the scale charges for income tax purposes and this must be taken into account in the company's VAT records.

On the other hand, this broader VAT treatment does not affect the income tax position of individual users.

Bill Packer is National Tax Technical Director of chartered accountants Touche Ross.

Aggregate size of local authority fleets (England and Wales)

County councils (England)	26,184
County councils (Wales)	2,928
All county councils	31,112
London boroughs	12,781
Met. boroughs/cities	16,797
All met. bor. oughs	29,578
Dist. councils (England)	29,853
Dist. councils (Wales)	4,518
All district councils	34,371
TOTAL	95,019

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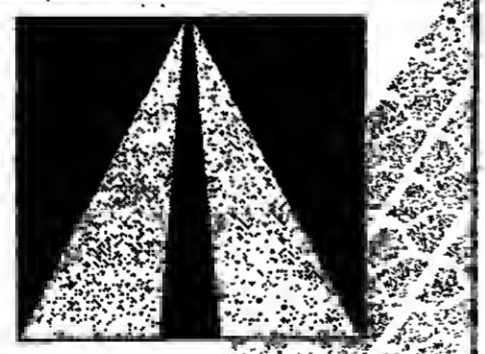
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VEHICLE FLEET MANAGEMENT 4

Company car policies

Small concerns go for contract hire

BRITISH BUSINESS spends more than £10m a year on its company vehicle fleets and about 2.5m executives are driving cars paid for out of company funds.

The use of a company car by British companies as a salary booster became more commonplace with the limits imposed on pay increases in the 1970s.

If the vehicles bought by the growing army of the self-employed are considered together with those of incorporated businesses, nearly 70 per cent of new cars are now paid for every year with a company cheque.

To judge by the sales pitch of the contract hire specialists, every business in the land should give up any attempt to run its own fleet and pay off its transport managers.

That many do hand over responsibility for operating their fleets is evident from the most recent statistics. But there remains a sizeable proportion who do not - even some who believe the contract hire salesmen have got their sums wrong.

One is Mr Philip Barnett, transport manager for the car, van and lorry fleet of Wolverhampton and Dudley Breweries, one of the biggest of Britain's regional brewers.

The near 300-strong fleet operates in an area stretching from Manchester to Bristol, centred on the company's two West Midlands breweries.

Mr Barnett has recently concluded an exercise to compare the costs of running his own fleet of cars and light commercials with those of contract hire.

"At the end of the day we worked out we could still run our car and light commercial vehicle fleet cheaper ourselves," he says.

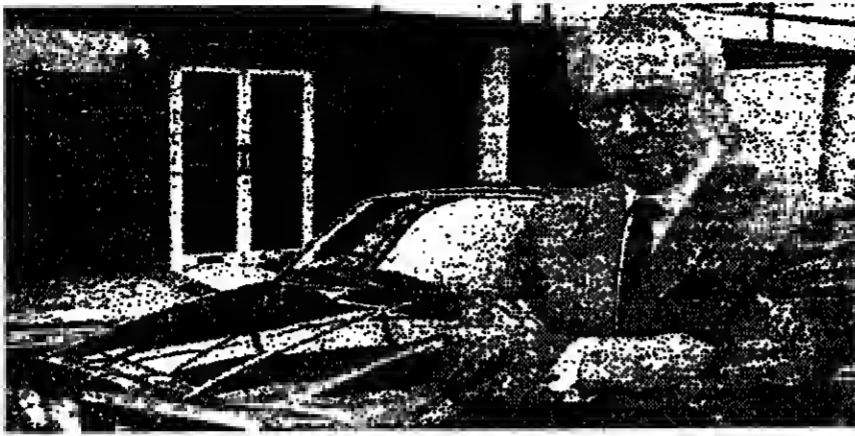
But for every example of independence, the fast-growing contract hire industry comes up with a dozen satisfied customers. And it has the statistics to back up its claims.

In the past year, according to Monks Guide to Company Car Policy, the number of companies buying their own cars has fallen by six per cent, those using finance leases is down six per cent, and another 11 per cent have turned to contract hire.

In the same period there was a nine per cent decline in the number of vehicles bought outright, a two per cent rise in those acquired on finance lease and a seven per cent rise in contract hire.

Contract hire is nearly three times more popular with smaller companies (with sales of up to £50m annually), where 36 per cent use contract hire compare with 14 per cent in 1987.

Penetration has nearly doubled, to 22 per cent, in Britain's biggest com-



Colin McLean of Hertz: companies open to financial risks

panies, with sales over £200m a year. Research commissioned and collated by Hertz Vehicle Leasing across a wider sample predicts a ten per cent rise in contract hire fleets this year. The survey sees growth continuing at about eight per cent a year.

Hertz believes that in two years' time, contract hire will account for more than a fifth of the new vehicles sold to companies, with 27 per cent of total company fleets by 1990.

Despite what Mr Colin McLean, managing director of Hertz Vehicle Leasing, describes as the fifth dimension of Britain's fleet market, the doubters remain. They are, however, the doubters who form the target market for the industry.

Mr McLean says the preference for in-house fleets "leaves British companies wide open to the financial risks of poorly-run fleets."

"They lack knowledge of depreciation rates, maintenance and repair costs, and day-to-day running costs. They rarely develop systems for effective monitoring of vehicle usage and have insufficient influence or experience in the vehicle market to win good prices at acquisition or disposal."

"And the fleets themselves may be unsuitable for company needs," he adds.

What marketing man in his right senses can resist the potential growth available for the foreseeable future?

Mr Barnett of W & DB saw that for himself. "When we started asking for quotes, we literally became like the jampot attracting the flies," he says.

Emerging from knee-deep videos and literature in his office, he says one problem was to convert the sales pitches into language they could

understand. And he describes how the financial director had taken home a leasing company's cash flow tables for the weekend.

"He came back saying the figures were all wrong," Mr Barnett says. "On comparative vehicles we worked out it was cheaper to do it ourselves," though he would not specify exactly how much cheaper.

But with a relatively large fleet, he says, the company does have negotiating clout with local vehicle suppliers and long experience of operating its mixed fleet, advantages which counter the arguments of the contract hire salesmen.

Contract hire's popularity appears to have increased in the past year with the impact of the Statement of Standard Accounting Practice (SSAP) 21, which became effective in April 1987. This insists that companies capitalise finance leases on their balance sheets.

Under contract hire the risks and rewards of ownership are carried by the contract hire companies as lessors, and the lease classed as operational, so not shown on the lessee's balance sheet.

It gives the added benefit of allowing tight budgeting, because the cost is agreed in advance.

This aspect has attracted the British arm of a leading American bank to convert its 300-strong salesmen's and managers' fleet to contract hire.

Mr Willie Donald, regional personnel operations manager for Citibank Consumer Services, says contract hire has become a forward budgeting tool.

"It has also taken the big administrative task of buying and selling vehicles away from my department, allowing me to become a personnel

manager rather than the company car manager."

And since Citibank is a foreign bank subject to the Bank of England's rules on capital ratios, the transfer also allows Citicorp, whose operations include Diners Club and Citibank Savings, to release more cash for consumers by taking the fleet off the balance sheet.

"In pure money terms the cost is about the same. The difference is in the organisation, where we have not cut out any staff but we are using them for different tasks."

"We have better management information and we are not tied up with buying and selling cars."

The leasing arrangement also puts limits on the amount drivers can spend when choosing their new cars. The limit always existed in Citibank, but enabled users to negotiate discounts locally and obtain higher-specification vehicles, which could become a source of internal friction.

Choice of vehicle is becoming marginally more limited, according to Monks' 1988 survey. In past years the number of companies in its matched samples which were prepared to allow users any choice of car had continued to rise.

This year the rise only applies, and even there only fractionally, to directors and senior managers.

The survey records a two per cent decline in choice for area sales managers and a four per cent fall for sales representatives.

Mr Tony Vernon-Harcourt of Monks Publications says a quarter of the sample of more than 200 companies surveyed was planning changes to company car policy.

He says: "Half of those changes are likely to increase costs by extending the car perk further down the employment tree, and by giving a wider choice to car users."

"On the whole we find that those who are planning to relax their policy by extending the perk are usually more successful than those who toughen up."

Companies which have taken part in the survey for some years and which are included in the matched samples have significantly tightened up, and a few have reduced the sales representative's choice to a single vehicle. But more companies are allowing private petrol as a company perk.

"That perk now applies to roughly half the sales representatives," Mr Vernon-Harcourt says.

Graham Sidwell



Ford's Sierra: from 'jelly mouster' to best seller

Big choice

Continued from page 1

A prime selling point of contract hire is that its costs to the client company are known in the form of the fixed monthly rental. But a growing body of user companies has become aware, to its cost, of potential pitfalls which might only become apparent at the end of contracts.

For example, virtually all contracts have clauses under which charges can be imposed for damage other than "fair wear and tear" and which adversely affect a vehicle's resale value.

Yet interpretation of what is fair wear and tear can vary widely between hirer and user, with the inevitable suspicion by users that in some cases hirers who have miscalculated vehicle resale values - a prime factor in determining rentals - may be seeking to recoup their losses by other means.

The intense competition in the industry has led those within it to rack their brains to come up with new schemes, or adaptations of old ones, which might conceivably provide commercial advantage, however small.

For example, Swan National, the vehicle rental and leasing subsidiary of TSB, has just launched what it calls the Contract Purchase Scheme. Instead of contract hiring a vehicle, the user company buys it and Swan National subsequently operates it as if it were on contract hire.

This enables all costs of operation to be allowable for corporation tax, whereas a proportion of contract hire rentals is not allowable, at least on vehicles costing more than £8,000.

The scheme also has advantages for some types of company, such as banks, which are unable fully to recover VAT. Second, Catfyns, the vehicle distribution group, has

launched the first of what it hopes will be a chain of High Street "shops" to lease cars to small business users who might not otherwise come into contact with the business, and even to private motorists.

The public sector, too, is the subject of increasing attention from some parts of the contract hire and leasing industry.

Transfleet, jointly owned by Lex Service and finance house Lombard North Central (itself a subsidiary of National Westminster Bank) has made a major target of the sector and accumulated a number of local authority clients under schemes in which it has bought each authority's fleet and leased it back to the authority.

Three Rivers District Council, which became the first local authority to contract hire its entire fleet in 1984, has just renewed Transfleet's contract for a further five years.

Such deals notwithstanding, a recently-completed study of about 150 local authorities (see inside article) concludes that as a body they are signally failing to capitalise on the "in-house" savings they could make if they were to co-ordinate their dealings with suppliers both of vehicles and associated services.

The BVRLA's statistics show that about 34 per cent of all company vehicles are either leased or are on contract hire and, not unnaturally, it expects the proportion to grow.

To that end, it has been lobbying the Government to improve the operating climate for the business car sector - not least by raising the £8,000 ceiling above which the cost of leasing a car is disallowed as a full deduction from trading income.

This ceiling was set at the end of the 1970s, and at the

time affected only the more expensive "perk" cars of executives. However, inflation has now taken the vast majority of company cars above the ceiling - with the Government showing no intention of raising it.

Like home mortgage relief, this is another area of tax benefit the Government appears ready to allow to wither on the inflationary vine.

This is despite the fact that the ceiling is now proving a major financial burden to companies using leasing or contract hire, according to Mr Norman Donkin, a joint author of Monks Guide and managing director of Lease Plan UK, which has set up a contract hire with option to purchase scheme to minimise the total tax burden.

Meanwhile, companies opting for controlling their own fleets continue to grapple with rising costs of both vehicles and services.

New car prices in the past year have gone up by well in excess of the rate of inflation, the latest New Year round of increases making most UK-produced cars between 7 and 9 per cent more expensive than 12 months ago.

However, for West German producers in particular, increases have been double this level, or even higher in the case of luxury and sports car producers, as the D-mark has strengthened.

The effect has been to increase the share of fleet business taken by the UK "big three" - Ford, Vauxhall and Austin Rover - as the expense of all other importers, only one of which has a share of more than 2 per cent of the mainstream fleet market.

Motor trade labour rates have risen roughly in line with inflation, according to a study by Cowie Group-owned Heron-drive, except in the London area where rates have jumped by up to 30 per cent. Market leader Ford's average labour charge, at just under £16 an hour, was the lowest, with executive car franchises such as BMW and Mercedes charging averages of £22-£23 an hour.

Rising costs regardless, Mr Roy Foster, managing director of Gelco International, Manchester-based and unusual in having its 50,000-strong fleet split between both the fleet management and contract hire sectors, forecasts that the current year should be a buoyant one for both manufacturers and his industry.

But, he cautions, "that's about as far as anybody dare look out. Anything else, in the light of what's been happening in the stock markets, is sheer guesswork."

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VEHICLE FLEET MANAGEMENT 5

Acquisition

Closer check on overheads likely

THE RECENT turmoil in the stock market and an associated greater degree of caution in the business world could soon start having an impact on the way companies acquire their vehicle fleets.

With the world economic climate looking decidedly more unsettled than was the case a year ago, organisations across the board are now likely to keep an even closer check on administrative overheads and areas of expenditure.

Included in that costs review could be the operation of company cars and commercial vehicles, with particular attention being paid to methods of acquisition.

Still the most popular of these methods at present is outright purchase, using either the operating company's own cash or borrowed funds, but other options which could gain greater favour if companies become more cautious about spending cash include hire purchase, rental, financial leasing and contract hire.

Contract hire has been marketed heavily by service suppliers over the last few years and although growth perhaps has been slower than they might have hoped, more and more companies are now turning to contract hire for their car, van

and truck fleets. For the moment, though, outright purchase remains the favourite option for many companies, particularly when it comes to car fleets. According to industry surveys, more than half of all United Kingdom enterprises still pay cash outright for their fleet vehicles.

According to the 1987 Monks Guide to Company Car Policy, the figure for larger organisations is even higher, with about two thirds of companies with an annual turnover of more than £200m opting for outright purchase.

The perceived advantages of purchasing (PDM) include lower financing costs and, for cash-rich organisations, flexibility in terms of vehicle choice and freedom of operation for the fleet.

Against that, there are a number of other cost factors which have to be taken into consideration, a point highlighted by Hertz Leasing in its 1988 "Hertz Report" on the vehicle fleet market.

There are costs that are invariably overlooked or under-rated. Chief among them is the impact on corporate cashflow for outright purchase: this is immediate and, in many cases, significant. The company is thus deprived

of liquidity that could otherwise be devoted to developing the business," the report says.

"Financing vehicle purchases through an overdraft facility, meanwhile, provokes equally negative conclusions. An immediate observation is that repayment terms for overdraft financing would not normally be constructed so as to reflect the high residual values of vehicles used over two or three years.

There would, in effect, be a disguised financial penalty for the borrower."

Although loan finance is now the most favoured form of borrowing for fleet acquisition, an alternative is hire purchase. If the deals involved are large enough, interest rates for hire purchase can be brought down to be pretty much in line with those for loans but for smaller acquisitions hire purchase rates can work out very high.

Hire purchase does, though, offer an automatic way of retiring loans over the life of the asset in question. For those companies which decide to seek an alternative to purchase when building up or expanding their vehicle fleets, one alternative is financial leasing which involves the lessee effectively paying a rental for vehicles which he never actually owns.

The rental pays the lessor's capital cost plus interest and profit over the period of the lease. As with loans and hire purchase, costs such as maintenance and insurance are retained by the lessee.

Other factors to be taken into consideration when considering finance leases were outlined in a report on the financing of commercial vehicle acquisition published by transport specialist British Road Services.

"The report points out that although the lessor might make an estimate of residual value in working out the timing of rentals, the risk remains with the lessee. Once the assets are sold, the lessor would require a final rental equal to the discounted value of any unpaid rentals."

"When the sale proceeds are to hand, the lessor will give a rental rebate to the lessee, usually 85-95 per cent. Thus the lessee must fund the full cost of the asset and bear the risk of a lower residual value," the report adds.

Operating leases and contract hire are based on the lessor or contract hire company acquiring the vehicles, predicting the residual value of the vehicle at the end of the hire period and charging a rental which reflects the predicted depreciation over that period, the interest, the cost and the profit.

The single feature which marks out that method from other means of acquisition is the balance of risk, BRS says.

"Having paid the rental, the lessee under an operating lease will have no responsibility for a fall in the value of the leased asset, any licences or other standing costs or (subject to any special provisions) reliability in service. Those risks will be run by the lessor who undertakes to provide an asset in good working order, replacing it as necessary."

Contract hire is basically a form of operating lease which includes extra features such as maintenance, fuel and tyre costs, fleet management and even, in the case of commercial vehicles, the provision of drivers. Such arrangements can significantly reduce user companies' administration time and costs.

Other major advantages include the fact that vehicles acquired in that way can be financed off balance sheet.

Faced with having to pay at least £25,000 for a new truck and £10,000 for a trailer unit, together with their high maintenance costs, more and more companies are now opting to contract hire their distribution fleets.

According to the Hertz Report, the same is now happening in the UK business fleet sector where some 20 per cent of fleets are now being operated that way. That figure is predicted to grow to about 27 per cent by 1990.

The same section of the Hertz Report also shows a small but steady use of another form of business vehicle operation, fleet management, which currently accounts for about four per cent of the overall market.

The terms of fleet management contracts tend to vary but normally the company providing the fleet management service manages the cars on behalf of the user, pays the expenses and attempts to minimise the costs of their operations in return for an agreed fee.

The disadvantage for the fleet user is that he retains the two major risks, residual value and high maintenance costs.

A variation on the fleet management/contract hire theme is the "open calculation system" introduced in the UK by Lease Plan. Said to combine the benefits of both methods in one package, open calculation is like contract hire in that it calculates the rental and charges the customer a budgeted monthly sum but also has fleet management features added in the form of efforts by

Company Turnover	Outright Purchase	Lease	Contract Hire	Mixed Methods
£200m+	68	11	14	9
£50-200m	46	21	20	13
Up to £50m	52	17	14	17
All companies	56	16	15	13

Source: Monks Guide, Company Car Policy 1987

	1985	1986	1987	1988	1989	1990
Total fleet acquisitions (000s)	965	1,110	1,020	1,040	1,070	1,040
of which %:						
Purchase	66	65	63	62	60	59
Finance lease	14	12	12	11	10	9
Fleet management	2	3	4	4	5	5
Contract hire	18	20	21	23	25	27

Source: BVRLA Data 1985; SMMT 1987; James Morrell Forecasts 1987; Hertz Research; Hertz

Lease Plan to minimise running costs.

However, the most interesting feature of the open calculation option offered by the company is a form of profit share under which users receive any profits resulting from the eventual disposal of their cars or savings made in operating costs.

Recently, for example, Lease Plan customer S. Casket (Holdings), a Manchester-based clothing and knitwear group, received a refund cheque for £10,000, representing profits achieved through careful man-

agement of the company's car fleet, in respect of just 16 vehicles which came up for disposal during 1987.

Fitting in with all the other methods of vehicle acquisition is rental, an option which is particularly useful for companies experiencing seasonal upturns in business or other short-term demands, for example filling in the gap between the disposal of some vehicles and the acquisition of others.

Phillip Hastings

THE DEVELOPMENT of increasingly sophisticated computer systems and packages is helping companies to manage car and commercial vehicle fleets much more efficiently.

Two key areas of fleet management, now benefiting substantially from greater use of computerised systems are the actual monitoring/control of the vehicles themselves and, more particularly in the case of commercial vehicles, the planning of schedules and routes.

In some cases, different activities are covered by individual systems, but increasingly the emphasis is switching to systems and software package combinations which can cover a wide range of vehicle fleet operations.

Included in that are cars and commercial vehicles operated in-house and by outside contractors - the latter being a particularly important feature on the commercial side where companies often find that a combination of own transport and outside carriers is the most cost-effective way of running their distribution activities.

As far as the management of the actual vehicles is concerned, development of com-

puter systems has come from three main quarters: computer software/consultancy organisations; major manufacturers who have developed systems for their own use and then subsequently marketed them outside; and companies specialising in offering contract, distribution, contract hire and vehicle leasing services.

Typical of the sort of package being developed by companies in the first category is the Delivery & Transport Management System (DTMS) software package distributed by Teas User Systems Company of Colchester, Essex.

Developed in conjunction with international consultants Logistics Consulting Partners, DTMS is designed in four modules: vehicles, deliveries, carriers and workshop.

The core module deals with the vehicles, maintaining a register of the vehicle fleet and recording mileage by period, details of all expenditure on the vehicle and reports on asset values and age, MOT and service due dates, vehicle running costs, vehicle performance by type, operating location, cost centre and vehicle failure rates and causes.

The deliveries module records individual consignments, prints load sheets and load planning summaries, records vehicle payload capacity, reports on capacity utilisation by vehicle and reports cost per run, per unit and per drop.

Activities covered by the carriers module include reporting on carriers' cost effectiveness while the workshop module does the same for workshop operations.

Prominent among the major manufacturers to develop their own computerised vehicle fleet management systems is Allied Lyons through its computer and management services company, Allied AIMS.

The main fleet management product currently marketed by the latter is a package called Vehicle Cost Management System which is said to be able to cater for fleets of all sizes and combinations of cars, commercial vehicles and equipment ranging from "forklift trucks

and fire engines to tractors and trailers and even power driven lawnmowers."

"The system's three main integrated categories, vehicle cost management, stores costs and management, and workshop control, are designed to give 'at a glance' information to transport managers on which to assess vehicle costs/performance, assist in scheduling preventive maintenance, and to aid management with measuring workshop performance," Allied AIMS claims.

"Complete vehicle profiles are maintained on the inventory, from which maintenance scheduling and reminder dates can also be generated. Repair information, using VMRS (Vehicle Maintenance Reporting Standard) codes, can be keyed in directly from job cards or interfaced from a computerised workshop system.

"Performance and operating costs can be analysed from any one of a range of cost param-

eters."

Similarly, Hertz Leasing has used its own experience with a wide range of vehicles to collect information for a computerised database which is said to be able to track vehicle operations with great precision and allow the company to construct a composite fleet norm, a yardstick against which to compare the history of particular fleet vehicles.

"By drawing on that database, called SWEARS (Selective Model Wear Characteristics Report), company personnel can check the performance of repair workshops and service bays, isolate inconsistencies in invoices and other charges, and identify abnormalities in patterns of vehicle use which may stem from vehicle defects or employee abuse of company fleet guidelines.

Such a system of cost tracking, Hertz says, enables it to offer fleet users precise financial controls. Usage guidelines

relating to model type, expected mileage and individual driver needs can be agreed at the start of a leasing contract.

That allows vehicles to be disposed of eventually at the optimum point for best resale prices.

In addition to computer-based systems designed help with the maintenance and running of vehicles, the last few years have also seen substantial growth in the development of systems to do the same for the operations run by those vehicles.

A wide range of packages is now available to help companies plan the routing and scheduling of vehicles, for example, with some of them tied in with more wide-ranging computer-based operations covering the whole distribution function.

Among the latest routing packages to come on to the market is InterRoute from the Redditch-based information tech-

nology company ISTEEL. A computer-based road network system, InterRoute is designed to allow companies involved with distribution activities to calculate the most efficient routes for a particular combination of vehicles and deliveries.

ISTEEL claims that, operationally, the new system provides an accurate calculation of costs involved in delivery from point to point, while strategically it can evaluate the effect of changing fleets or size or location of depots by enabling the user to calculate cost differences in vehicles collecting from, and delivering to, facilities further afield.

ISTEEL says that recent testing of InterRoute had showed, for example, how one company could achieve a reduction of \$100,000 in contractors' rates over three months.

In a similar vein is the TRAN-DOS vehicle scheduling and routing software package now being marketed by Surrey-based P-E Consulting Services for use by retailers, wholesalers, manufacturers and transport specialists involved with distribution operations.

A particular feature of TRAN-DOS is its speed of operation. According to P-E Consulting, the system can produce schedules involving more than 50 routes and 200 drops in four minutes using a standard IBM AT microcomputer.

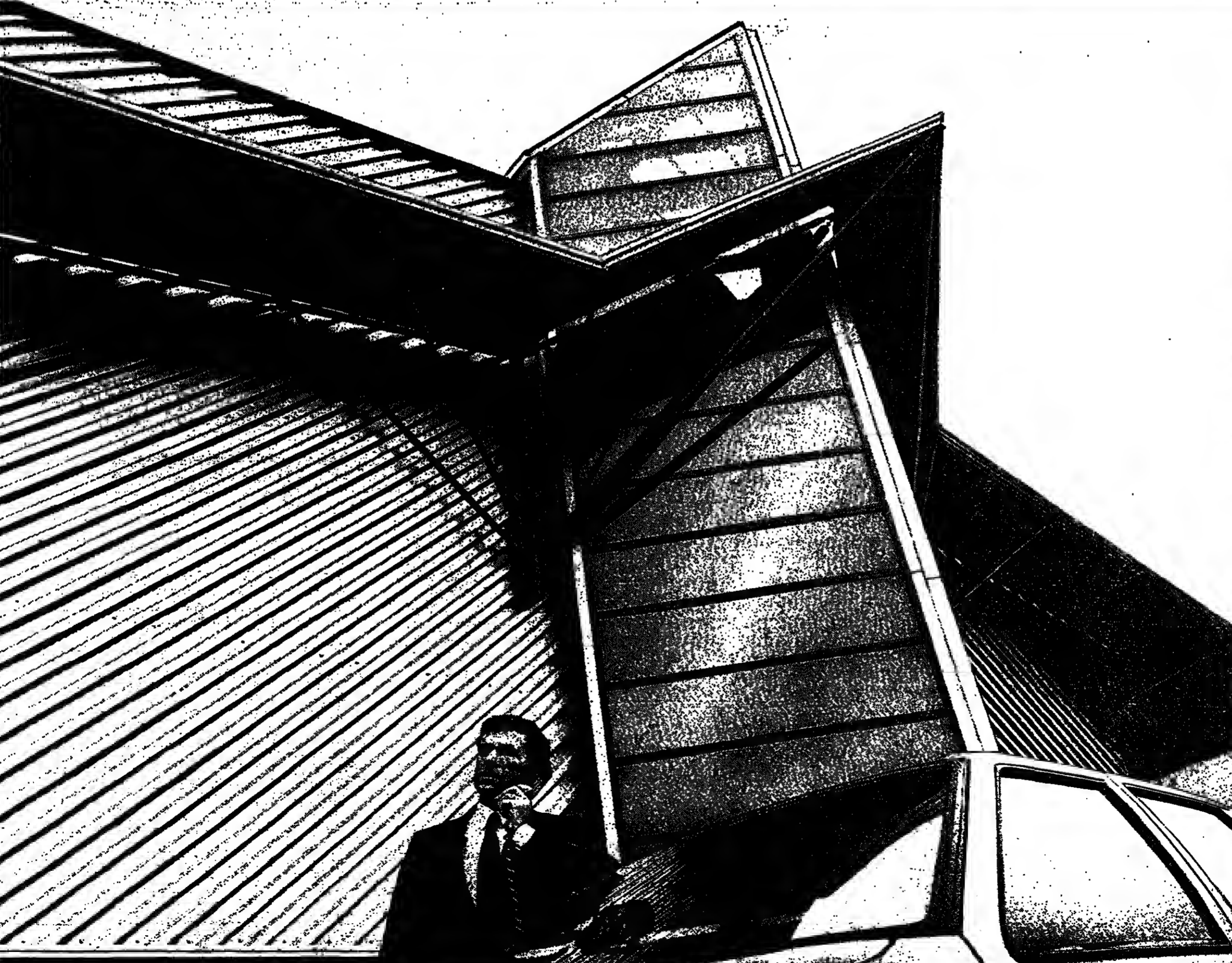
The system can also produce detailed reports showing the cost of routes, taking into account driver and vehicle costs. Any last-minute change to the routes made by the scheduler will result in an immediate change to the costs shown on the screen.

Meanwhile, the London-based software house, Kingswood, is marketing a package called WhichWay which can produce an individual vehicle route within seconds using a large network (22,000 road sections and 14,000 junctions) on an IBM personal computer or compatible machine.

It displays the route on screen, highlighted on a map, and gives information for on-the-spot route planning and costing. Another area of development likely to prove of increasing interest to fleet operators is the use of computer-based systems to actually track "live" the whereabouts and status of their vehicles.

Phillip Hastings

In-house management Fleets more efficient



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VEHICLE FLEET MANAGEMENT 6

Fleet management/contract hire

A daunting range of packages

THE EXECUTIVE charged with selecting a company to organise a fleet of cars for his business faces a daunting range of choices.

In a young, competitive and fast-growing market, the spread of services is immense. Packages incorporating any number of options can be tailor-made precisely to meet a company's requirements and administrative or accounting arrangements.

More than 400 companies offer contract hire or fleet management services. None has a market share of more than about 5 per cent, although recent years have seen considerable re-grouping within the industry.

Such a fragmented market offers a wide range of company types for prospective client to choose between. But generally they fall into three different categories.

First are the contract hire and vehicle fleet management companies that operate nationally. These offer the advantages of considerable experience and clout with manufacturers over prices and deliveries and over garages for repairs.

Typically the number of cars they supply each year runs into several thousand. The big names include Swan National Leasing, Hertz Leasing and Cowie Group, probably the largest group, which includes Interleasing, Heron Drive, and Marley Vehicle Leasing.

Second are the numerous smaller companies serving local areas. Many are based on car dealerships and rely on selling on their forecourts the cars that have completed contracts.

With the residual price one of the major determinants of monthly costs, the small companies can frequently undercut larger rivals. But the drawback is that back-up services such as breakdown assistance may



Part of the Manchester-based Data Express fleet, which is on contract hire

be limited to a local area.

In the third category are businesses associated with car manufacturers such as Renault. Usually these will supply only cars they make and at the very least have an obvious bias. However, the special relationship with manufacturers that all car fleet companies boast of is undisputed in this category.

Inevitably, quality varies from company to company but minimum standards are set by the British Vehicle Rental and Leasing Association of which the majority of contract hire and most fleet management specialists are members.

Prices differ according to the method of calculations and types of packages on offer. Mr James Goddard, secretary of the BVRLA, recommends companies seek several quotes from a selection of companies.

He says the industry is growing strongly - particularly contract hire - but it remains well managed. Good self-regulation is important as the main selling point are the tax and other cost savings of contracting out.

"It is basically run by accountants and bankers and therefore they are very keen to watch the pennies," Mr Goddard says.

Different types of companies are best served by different types of packages. Cash-rich companies, for instance, are likely to find the outright purchase of car fleets, backed up by fleet management services, more cost-efficient.

Figures from Monks Partnership, the independent remuneration advice company, show differences according to the size of companies. Its 1988 guide to car policy about to be published shows that 58 per cent of large companies (with a turnover of more than £200m) operating a car scheme buy cars outright, while 22 per cent use contract hire.

In medium-sized companies (£50m to £200m turnover) the proportion buying outright falls to 38 per cent while contract hire rises to 28 per cent. Of small companies (less than £50m turnover) 37 per cent buy outright and 36 per cent use contract hire.

Mr Tony Vernon-Harcourt, one of the report's authors, says "If you are a big company and running a fleet of perhaps 1,000 cars, then it is worth actually employing somebody to control maintenance costs or to monitor a fleet management specialist."

"What the small companies are after is knowing what the costs are and not having the problem of having to sort out maintenance and so on. It is not worth them employing somebody in-house," he says.

In fact, contract hire and vehicle fleet management specialists are prolific report writers. Communication with clients is usually on a weekly or monthly basis in the form of a rundown of the cost performance of individual cars within a fleet including, sometimes, fuel consumption.

The range of services on offer is vast. Most companies take pride in working to a shopping list of required services supplied by clients rather than offering a set menu of options.

"It is not like buying things of a shelf," says Mr Len Clayton, commercial director at Swan National Leasing, of the range of services his company offers. He advises assessing specialists according to how well they address themselves to the need of clients in areas such as tax savings and breakdown service.

"That will distinguish good operators from the large mass of very ordinary and pedantic operators," he says.

The different services on offer from vehicle fleet management and contract hire companies cover the life and times of a car almost from factory to scrapyard.

Buying cars on behalf of companies is a basic service. Cars can be often be bought from across the range - from Minis to Rolls-Royces. Alternatively, some will help draw up and administer rules for companies

to restrict certain types of personnel to a particular range of cars.

A purchase and leaseback deal will convert an existing fleet owned by a company into a contract hire package and realise cash for investment elsewhere.

Standard maintenance programmes can be organised either on the basis of a fixed monthly payment or a fee that varies according to work needed. These can be supplemented by breakdown and accident schemes.

Again there is much variation. At the top end of the range there are packages that include 24-hour vehicle recovery, the provision of relief cars and priority treatment at garages.

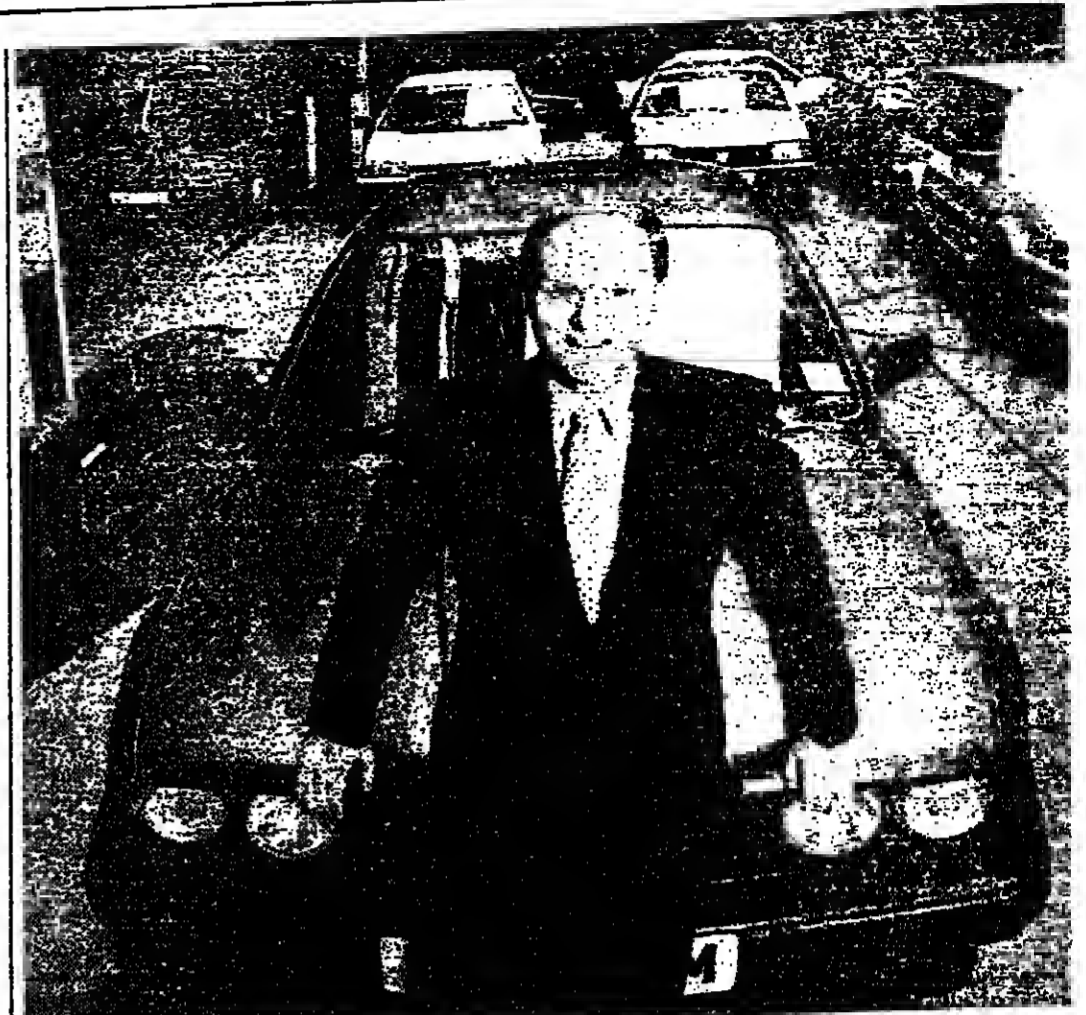
A range of fuel card systems options is available. Some are based on schemes operated by oil companies, others are run independently. Additional services include a complete range of insurance policies and even a service for paying unpaid parking fines.

Finally, contract hire and fleet management companies will arrange to dispose of cars after a pre-determined number of months - most often about three years - and replace them with a new vehicle.

In a fierce market, clients benefit from the rivalry between contract hire and vehicle fleet management specialists where higher quality service gives companies a competitive edge.

Ms Amanda Powell, marketing manager at Hertz Leasing, which serves the car fleets of some 400 companies, says: "Flexibility is vitally important. But it is fundamentally a management attitude, not just the ability to offer a number of 'off the shelf' contract permutations."

Ralph Atkins



Brian Loftis: open-minded about buying more cars

Profile: Marks & Spencer

A review of policies

ALTHOUGH THE most visible signs on the roads of Marks & Spencer's presence as one of the UK's leading retailing groups are the liveried trucks that move its goods about the country, none of these vehicles is operated in-house.

All are owned and operated by independent contractors such as Christian Salvagen, Fashionflow, BOC and Tibbet and Britten.

However, for its fleet of private vehicles, Marks and Spencer first opted for contract hire more than 20 years ago, and now every one of its 1,400 company cars is operated under a contract hire agreement, with the exception of 15 executive cars for main board members, which are bought outright.

There is no simple answer to why this should be, according to Brian Loftis who manages the fleet with his assistant Diane Swift.

He intends to review all the company's acquisition and operating policies during the course of this year, and will be looking to see if there might be advantages in contract hiring the executive cars too, in buying more cars, or in adopting some form of fleet management scheme.

"Clearly we have to be aware of movements in the marketplace, not just of new models becoming available, but also of the way in which we ought to be running our fleet."

If after the survey we found we could save £500,000 by buying more cars - provided it didn't mean we would have to employ more staff to run the fleet - then we may take that step. But right now we have a completely open mind."

Mr Loftis took over responsibility for company cars just under a year ago, and his brief is to look at all aspects of the fleet to take the company efficiently into the 1990s.

The M&S policy was to "buy British," but he has extended this to take in the European market. "To retain and attract the best people, we have to offer cars as part of the overall remuneration package, and for that package to be attractive it helps if you can offer drivers the cars they want."

All the contract hire cars are supplied by three specialist companies - Kenning Leselline and Lex Vehicle Leasing, with whom M&S have been dealing for about 20 years, and Interleasing, which joined the fold two years ago.

"We use three companies purely to ensure an element of competition," Mr Loftis says. "We choose contract hire because we feel the rates we are getting are very competitive, and until we have had time to appraise further the advantages of alternative methods of running the fleet, we are very happy to stick with the situation as it is."

"The overall level of service from our three supplying companies is very high."

The policy at M&S is to provide drivers with peace of mind, so the company chooses a very complete contract hire package, including the provision of replacement cars where necessary.

The company pays for full AA membership, including Homestart, for all drivers and their spouses, so they are covered whatever cars they are driving, at home and at work.

Further, Marks and Spencer insists that every company car is fitted with ABS braking when it is available.

"As a company, we are extremely safety conscious, and we believe ABS is a dramatic improvement which can and does save lives," Mr Loftis says. The company has also fitted all cars with rear seat belts for work."

Of the cars, 23 per cent are "work" vehicles, while the rest are perk cars. Vehicles used a lot on business tend to be operated under two-year, 40,000 mile contracts, while others are retained for three years or 40,000 miles.

Board cars are changed every couple of years, by which time they generally have between 50,000 and 70,000 miles on the clock.

Company policy is to offer the maximum possible choice for drivers within the eight different grades of car. Grades are arrived at not from purchase price, but from the price the company pays the leasing companies - which reflects running costs and residual values too.

Drivers are encouraged to take an interest when making their choices, and the company has invited staff to two test days, one at Brands Hatch, in conjunction with Citroen.

"Drivers loved the opportunity to view the whole range and to appraise the cars for themselves," Mr Loftis says.

Other driving days are now planned, with Citroen and Austin Rover, and he also hopes that manufacturers will show new cars, on the day they are launched, in the M&S car park.

Martin Derrick

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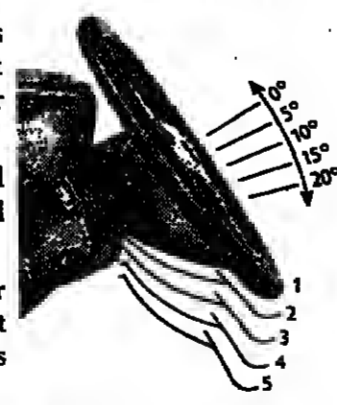
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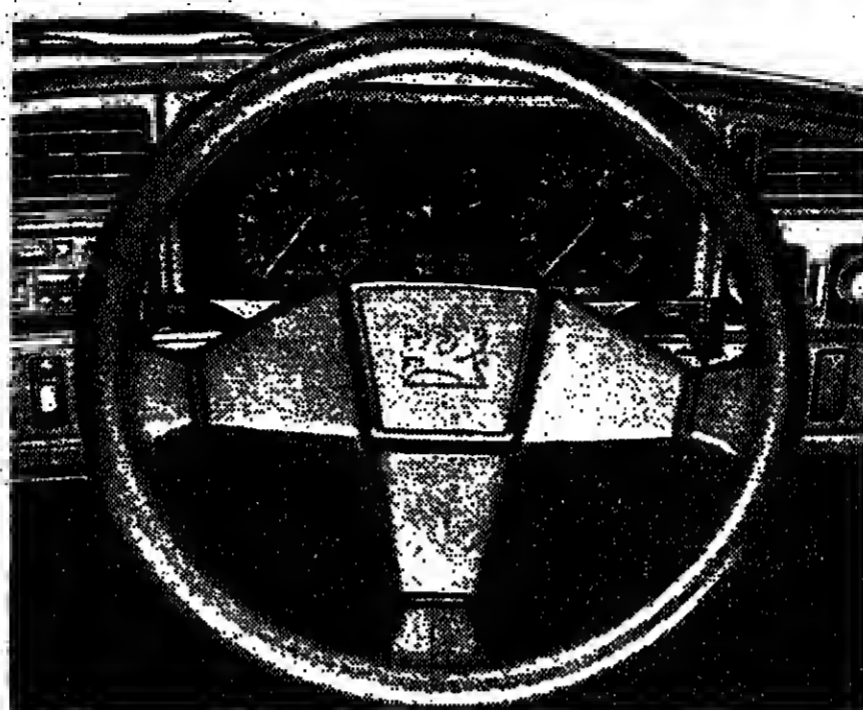
How did you manage without it?

هنا من الصور

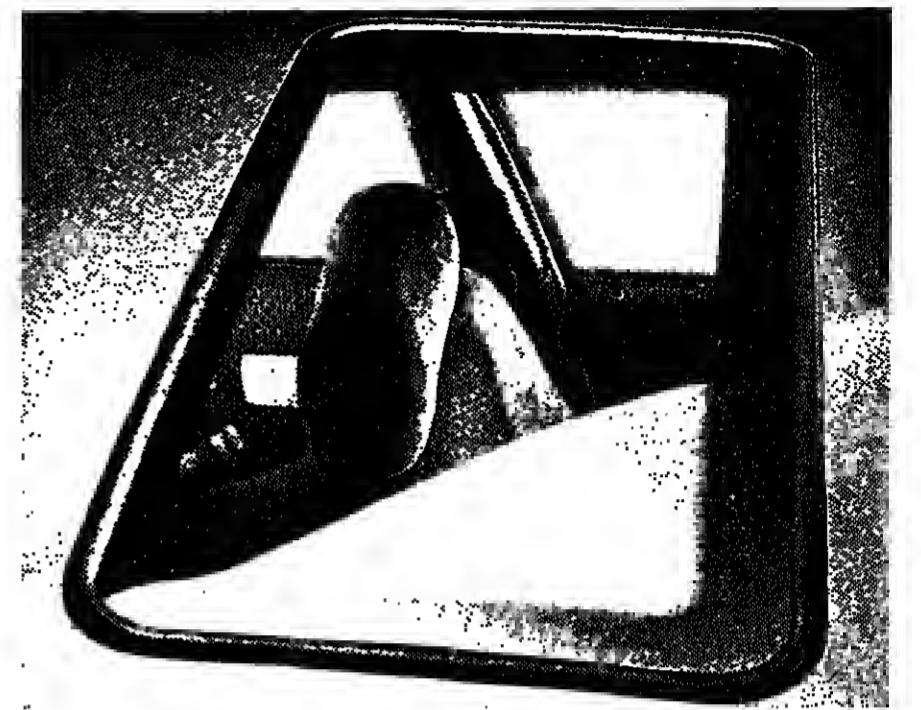
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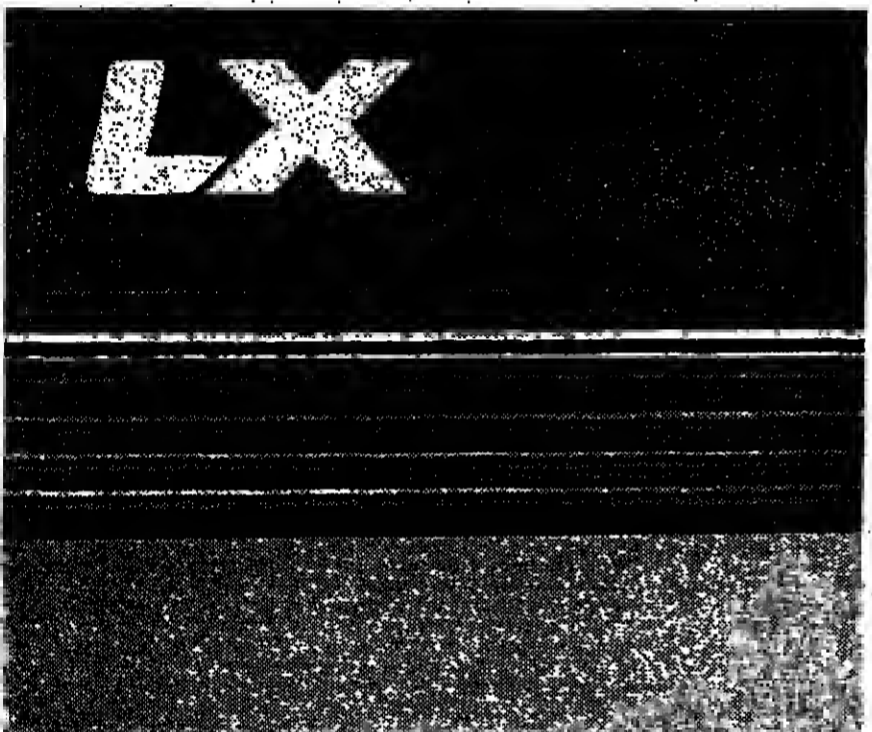
LOWERED FRONT SPOILER.



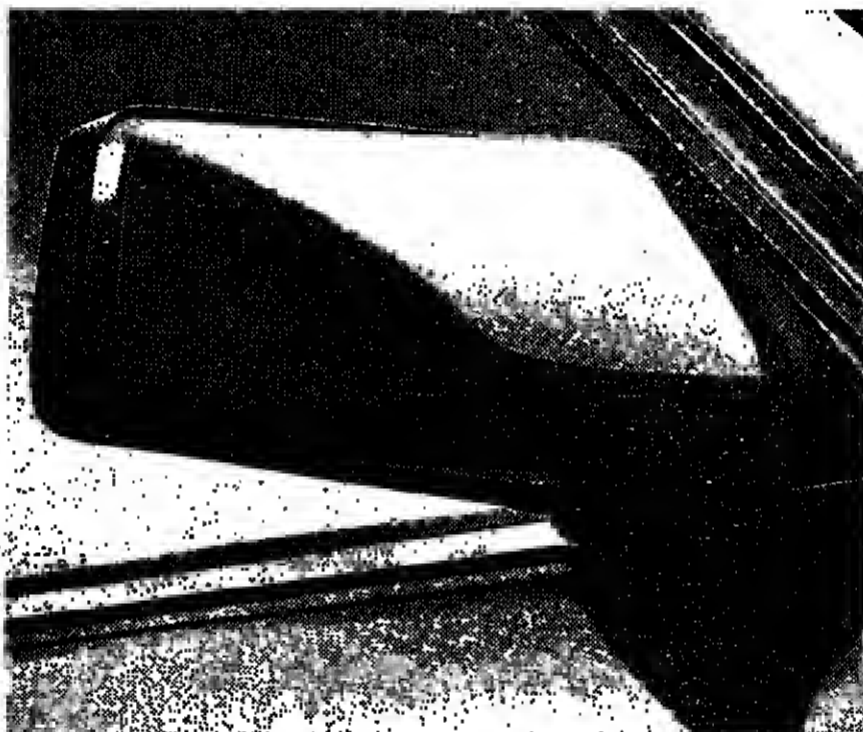
SPORTS STEERING WHEEL AND INSTRUMENTATION.



SLIDING AND TILTABLE GLASS SUNROOF.



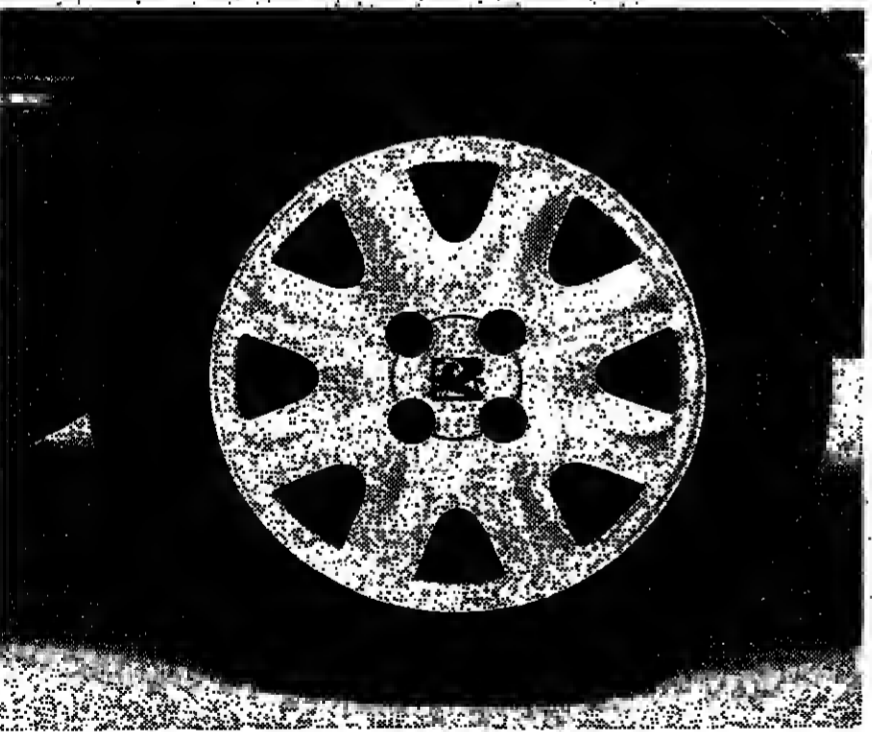
DISTINCTIVE RED STRIPE IN SIDE MOULDINGS.



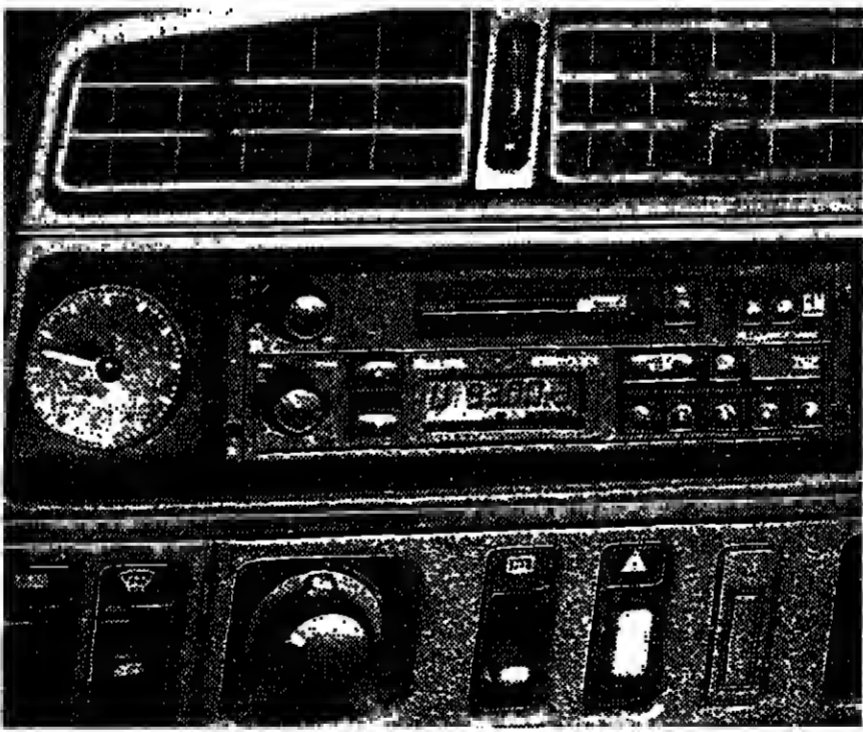
BODY COLOURED DOOR MIRRORS.



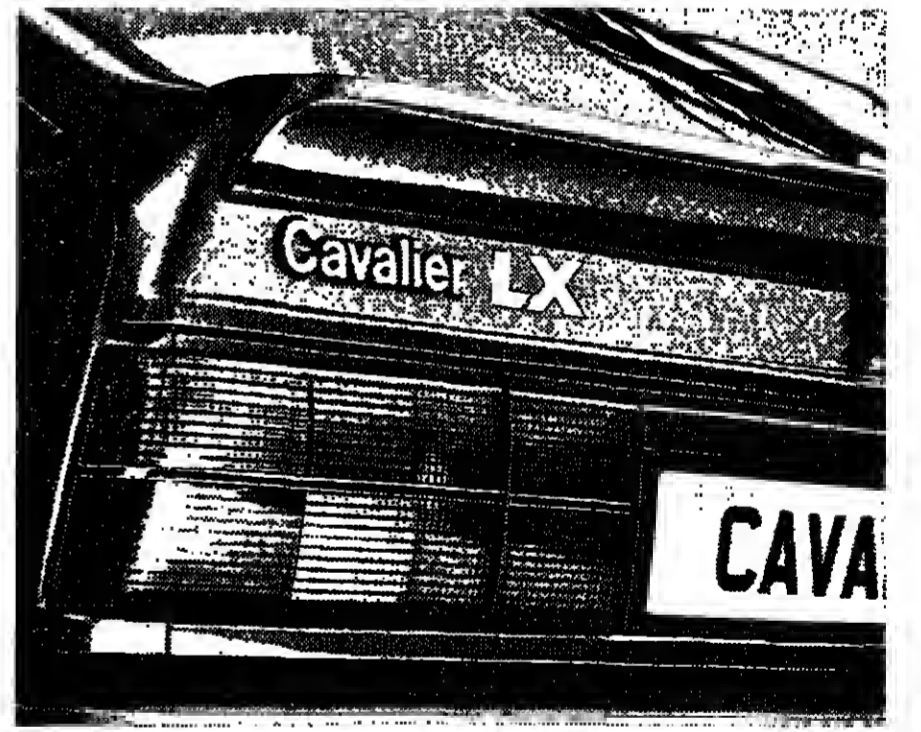
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For instance, the 1.8i has a top speed of 115mph and an excellent fuel consumption of 50mpg at a steady 56mph.

You'll also find the 1.6 model has an equally impressive performance.

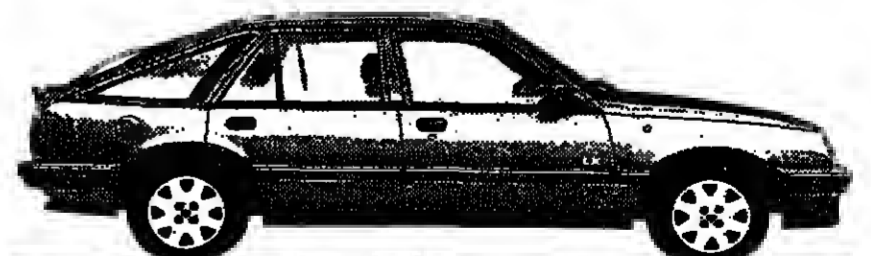
Both come with a 5-speed gearbox and are available as Saloons or Hatchbacks.

Even in the garage the LX looks impressive as it has a standard servicing time of just 5.8 hours over two years or 36,000 miles (whichever arrives first).

But perhaps the most impressive feature of all is one that you can't see.

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VEHICLE FLEET MANAGEMENT 8



Left: Volvo articulated tipper truck. The main growth in sales of heavy trucks is among companies in contract haulage, contract hire and leasing, with liveried fleets owned by outside specialists. More and more end-user companies are withdrawing from outright ownership of their vehicles.



Right: Long wheelbase version of the new Ford Transit. Sales of the Transit, market leader in the vans sector, have been helped by full production at the Southampton plant.

Truck market

Strong recovery among heavies

DESPITE truck manufacturers' pessimism earlier in the year, 1987 showed a 7 per cent rise in sales, above 3.5 tonnes gross, to 67,940 units, with the strongest recovery evident at the heaviest end of the market. Registrations of articulated tractors for use above 29 tonnes gross increased by 17.6 per cent to 14,620 units. Though the trend cannot be quantified, it is clear that the buyers responsible for the main growth in heavy truck sales are mainly contract haulage, contract hire and leasing concerns. The tendency for end-users to withdraw from outright ownership of the vehicles they run continues, despite the acknowledged upturn in the UK economy being reflected in greater transport activity. Britain's major supermarket chains such as Sainsbury and Tesco typify the trend, their expansion into new areas of the country being served almost entirely by fleets - liveried in the retailer's colours but owned and operated under contract by outside distribution specialists

such as NFG and UCD (Unitgate). Volvo of Sweden, many of whose lighter trucks are built in Belgium and with some heavier models assembled in Scotland, emerged with a clear 1987 calendar-year market leadership despite having been overtaken on a "technicality" earlier in the year when DAF of Holland gained control of Leyland Trucks, pushing the merged company to the top of the heavy sales league table. However, since the March 1987 merger, supplies of the heaviest Dutch-built DAFs have been disrupted by a model change, with the introduction of the 95-series which has just won the 1988 Truck of the Year award. Registrations of heavy DAF tractor units fell from 1,800 in 1986 to 1,645 last year. Leyland sales in the same sector also declined, from 1,365 to 1,120 - a loss of market share attributable in the view of truck market observers to a withdrawal of dealer support by the manufacturer, in other

words a sweeping reduction in the discounts sanctioned when Leyland was owned by the UK Government. In contrast, the other merged truck producer, Anglo-Italian Iveco-Ford, increased the penetration of both its artic marques, above 29 tonnes. Registrations of Iveco tractors rose 56 per cent, to 819 units, while for their Ford Cargo counterparts (newly available with a 250hp Cummins engine), the equivalent increase was a spectacular 166 per cent to 630. Heavy Cargo tractor sales almost matched those of MAN (539 units). Apart from Leyland and DAF (together and/or separately) every heavy tractor producer increased its sales in absolute terms, though with varying performance in market share terms. The last remaining all-British heavy truck builder, ERF, made a particularly strong renaissance in sales - up from 1,176 to 1,702 units in the 29 tonne-plus artic sector - reflecting the technical acceptance and price

competitiveness of the Cheshire-based company's new E-series truck range. ERF reports keen interest in its products from erstwhile Leyland buyers whose instincts are to support a wholly-British manufacturer. Such fleet operators are able to specify the same Cummins or Perkins engines and Fuller gearboxes, for which their workshops are equipped. In another key weight sector, for maximum-weight, two-axled chassis, the size of the UK market expanded by 6.7 per cent. The growth might well have been much greater but for the inevitable reluctance of fleets to buy at a time when an increase in permitted weight is in the pipeline. On April 1, four-wheelers will be allowed to run at an all-up weight of 17 tonnes, against 16.25 tonnes at present. And while most chassis sold in recent months are technically approved for 17 tonne working, administrative complications prevent their being accepted automatically in April for operation at the higher weight. Of the gains and losses in the 15-17 tonne sector, Volvo's advance from a 9.3 to a 13.5 per cent share, as the Belgian-built FL6 chassis came into production, is notable. Volvo's 1,467 registrations nevertheless failed to match the 1,557 of its arch-rival in the heavy four-wheeler sector, Mercedes-Benz. Leyland, DAF and Ford Cargo sales were little changed, year on year. But availability of a more powerful engine in French-built Iveco chassis enabled the marque to lift registrations (impressively in percentage terms) from 164 to 396. For the British manufacturer ERF, there was gratifying success in 1987 with its E6 four-wheeler which has received unreservedly enthusiastic reviews from the transport press and from operators. In a sector where ERF has generally occupied an "also-ran" position, 56 registrations moved up from 238 to 511, giving the company an unprecedented 5 per cent market share, close behind Scania of Sweden and well ahead of Leyland (200, separately from Ford), and MAN. Demand for the heaviest trucks which can be driven by an ordinary car driving licence holder, grossing 7.5 tonnes, remains buoyant. Last year registrations increased by 8.5 per cent over 1986, to 15,420. During 1987 the progressive disappearance of Bedford - a phenomenon which now promises to be reversed following the acquisition of General Motors' supposedly doomed UK truck interests by industrialist David J Brown - injected a new element of competitiveness to the sector. Annual Bedford 7.5-tonner registrations declined by 1,482 units, to 557. Year-end figures suggest that Iveco-Ford's cargo range captured the biggest share of lost Bedford sales: 1,140 more 7.5-tonne Cargos were sold in 1987 than in the previous year to notch up a 41 per cent market share, advancing from 37 per cent. Leyland-DAF also shows signs of having captured worthwhile 7.5 tonne business from Bedford, its 1987 Leyland Roadrunner registrations having risen by 697 to 3,430 units - a 22 per cent sector share. In third place behind Iveco-Ford and Leyland came Mercedes-Benz, the leading importer, at 7.5 tonnes, with a 25 per cent rise in registrations at 2,596 units. The total includes 393 of the German company's new, short-bedded 30D chassis which, apart from the Renault-Dodge 50-series (of which 118 were sold last year), is unique in the weight class in offering "hands free" entry for multi-drop distribution drivers via a door and wide step behind the front wheel arches. Taking the 3.5 tonne-upwards truck market as a whole, Leyland-DAF as a joint company failed to hold on to the 23 per cent summed share of sales enjoyed in 1986 by what was then two-separate companies. Supply constraints on the Dutch products and more realistic pricing of Leyland chassis led to a small decline to 22.4 per cent, enabling Iveco-Ford to overtake and surge into the lead in the closing months of the year, grabbing a 23.9 per cent slice of the overall truck market.

Many first-time buyers who helped swell microvan sales in 1987 were inevitably former users of car-derived vans of similar load capacity. The switch in allegiance goes some way to explaining the relatively modest growth in car-derived van sales of some 5.3 per cent, to 110,970 vehicles. Again Ford has strengthened its position by more than 3 percentage points as market leader, through increased sales of its Fiesta and Escort vans. Addition of the smaller Escort Combi model, comprising essentially the three-door estate car with filled-in side windows, has broadened Ford's market coverage. Interestingly, a year or so previously, Bedford introduced its Astramax van with hinged doors and higher roof to meet the mainstream competition for a "serious" car-derived load carrier from Ford Escort and Austin Maestro purpose-designed vans. Among the car-derived van contenders, only Rover group (market share down 3 per cent to 17 per cent) and the Japanese saw a sales decline last year. The beneficiaries were Ford (market share now 30 per cent), Bedford (28.6 per cent), Peugeot (5.27 per cent) and Renault (5.07 per cent). Availability of the more fuel-efficient Perkins direct-injection diesel in the Maestro has not helped sales, suggesting that buyers of car-derived vans tend not to cover the sort of high mileages where fuel economy is a paramount selling feature.

Vans

3.5 tonners demand up

FLEET PURCHASES of vans and light trucks in the weight sector up to the 3.5-tonne gross threshold (above which legislation imposes Operator's Licence and tachograph restrictions) advanced by just over 9 per cent, year on year, in 1987. Registrations reached 236,566. The most noticeable increase in demand was for vans and chassis at the heavier end of the 1.8 to 3.5 tonne sector, typified by market leader Ford's Transit range. Here, annual registrations surpassed those for 1986 by 10.6 per cent, at 125,585, including pick-ups and four-wheel-drive utility vehicles such as Land-Rovers. Full production of the new Transit at Ford's Southampton plant was achieved for the first time through a full calendar year in 1987. This ability to supply, and demand boosted by the new Transit's commendable freedom from teething troubles, helped Ford to increase its market share from 29.0 to 36.2 per cent, with a total of 54,686 registrations - the best for the Transit since 1980. Significantly, the growth in Transit sales was half as much again more for diesel than for petrol-engined models, reflecting the potent appeal of Ford's direct-injection 2.6 litre diesel's fuel economy. Freight Rover - now part of Leyland-DAF - held on to second place, though a long way behind Ford, with a 13.4 per cent market share for its Sherpa models. Again the availability for the first time of a fuel-saving (Perkins) direct-injection diesel engine, helped to attract cost-conscious buyers.

Sherpa registrations, about 3 per cent down overall, nevertheless advanced by more than 50 per cent in the diesel category. The gain in percentage market share, between 1.8 and 3.5 tonnes, by Ford's Transit range came at the expense of all its main rivals. Although Freight Rover, Renault and Mercedes all recorded more registrations in 1987 than in the previous year, in each case their percentage market share, together with that of Bedford, Volkswagen and Nissan (the leading Japanese importer) fell. Sales of microvans have been boosted, with more vehicles imported from Japan. Bedford's share following the withdrawal of the CF - at one time the Transit's number one challenger - dropped from 16.2 to 6.4 per cent. General Motors' only contender in the sector is its Mini van, now being built at Luton as a joint venture with Nissan of Japan. Under Bedford's other Japanese licensing agreement, with Suzuki, for microvans - exceptionally narrow but "full" forward-control vans of about half a tonne carrying capacity - came on full stream towards the end of 1986. This helped to boost total sales of micros, including Honda, Daihatsu and Subaru vehicles imported complete from Japan, by almost 30 per cent last year, to 13,210 units.

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VEHICLE FLEET MANAGEMENT 10

The public sector

Large market that is yet to be tapped

MANY COMPANIES within the vehicle fleet management and contract hire industry have long felt vaguely that another large, possibly valuable, market for their services could probably be found in the UK separate from their usual industrial and commercial clients.

Yet so far only a handful of companies have made a selective push for the potential business represented by the public sector, in the form of local authority fleets made up of everything from mayoral Daimlers to dustcarts.

One reason for the relative neglect of this sector has been uncertainty about its precise size and characteristics.

However, a much clearer picture has now emerged in the form of a joint study undertaken on behalf of a group of local authorities with strong motor industry constituencies, in conjunction with the Institute of Local Government Studies at the University of Birmingham.

Far from simply outlining more clearly a target at which the "fleet management" industry might aim, it is regarded by its compilers as a means by which local authorities can improve substantially their efficiencies from within.

And in that respect, it offers little comfort to the specialist management and hire industry, suggesting that in reality it has little to offer.

The research was intended specifically to identify the overall scale of local authority vehicle purchasing, the strategies and methods employed in purchase and maintenance; and, as a consequence of the research, recommend policy guidelines which could be used by local authorities in the future.

After a six-month research programme, ending in the middle of last year, detailed data was acquired from 116 local authorities, providing what was felt to be a representative 25 per cent sample of country, metropolitan borough and district councils.

It was not acquired without difficulty, however. Some Lon-

don boroughs refused to co-operate and Harvard business school graduate Dr Steve Tolliday, who compiled the report, suggests that where the survey covered the structures and practices of local authorities, there is clearly a problem that the replies may well be biased towards the better organised and efficient councils.

But Dr Tolliday concludes that estimates of the sizes of fleets run by the different types of local authority have a high degree of accuracy.

Thus the various local authorities in 1987 had a combined fleet of nearly 100,000 vehicles of all types on the roads of England and Wales alone (the study did not cover Scotland). The figures also exclude vehicles run by most police forces, fire brigades, health and education authorities and central government - the Inner London Education Authority alone runs 1,100 vehicles - "hence the total fleet owned by local public authorities is considerably larger," Dr Tolliday concludes.

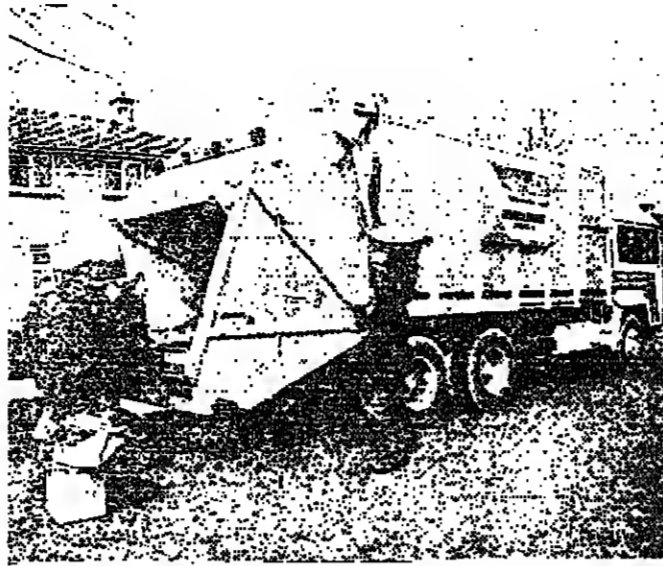
Excluding these extra categories, he calculates that each year the local authorities between them acquire 13,000 vehicles of all types, spending about £300m on the purchases.

About 27 per cent of the authorities' combined fleet is calculated to have been replaced in the past two years, a figure believed to be fairly representative over a longer time-scale.

Of particular relevance to the contract hire and leasing industry, whose few ventures into public sector business to date have mainly involved lease-back (the local authority sells its fleet to the specialist company, and leases them back), is the fleet composition.

Vans and light pick-ups comprise by far the single element in most fleets: 37 per cent for counties and metropolitan boroughs and 53 per cent for other local authorities. Cars account for only 10 per cent of the former and 5 per cent of the latter.

The authorities are concluded to be conservative buyers, over-concerned with price and



Potential business ranges from Daimlers to dustcarts

not concerned enough with quality. "Notably, LAAs have been responsible for keeping an outdated vehicle like the Dodge 50 truck in business long after superior alternatives were available," the study observes.

But just as some manufacturers have been slow to take the local authorities seriously, so the LAAs themselves have been slow to recognise their coherence as a sector and their potential ability to make demands on manufacturers for better products and services, Dr Tolliday says.

The survey indicates that many local authorities still have fragmented and under-developed purchasing and management systems, and need more professionalism among their transport management.

Co-ordination of spare parts purchasing between authorities to gain increased bargaining power with suppliers is suggested as just one example of how efficiencies might be increased.

"LAAs have done little to co-ordinate their needs on a broad scale and to constitute themselves as an attractive and aggressive market," the study observes. "As a result, many manufacturers orientated to LA markets have become complacent."

It is critical of the way local authorities conduct their vehicle management in many other areas, not least the complex and varied tendering rules under which many acquisitions are made and which are seen as being responsible for "much delay, complication and frustration."

"It will be necessary for many councils to draw up revised and simpler tendering procedures and standing orders as part of any programme of fleet man-

agement reform." Doubtless to the dismay of the contract hire industry, the survey concludes that the attractions of contract hire as an alternative to in-house ownership and management are limited.

"Contract hire has so far spread only slowly in the LA field but it is pressing hard. It offers apparently attractive advantages, but more detailed analysis shows that all of the advantages offered by contract hire can be obtained by well-run in-house operations and that there are areas in which in-house provision has major advantages, especially if allied to greater inter-municipal co-operation."

Despite this coolness towards the external provision of vehicles and maintenance, some local authorities have found areas in which, they believe, contract hire can be applied with advantage.

For example, Solihull metropolitan borough council has about 600 employees classified as essential or approved casual car users. These can operate a car under a contract hire agreement with Austin Rover Finance, subject to making their own contributions to cover private use. These are deducted from salary.

The authority says it believes that run this way, cars at least can be provided at no on-cost compared with outright purchase and maintenance by the authority itself.

Public Sector Purchasing of Motor Vehicles, Department of Local Government and Development, University of Birmingham, J G Smith Building, PO Box 363, Birmingham B15 2TT. Price £6.50.

John Griffiths

Profile: British Telecom

Europe's largest single fleet

BRITISH TELECOM operates a fleet of vehicles which is almost certainly the largest in Europe managed by a single company, and therefore devotes considerable management effort to the undertaking.

Its fleet, totalling 68,000 vehicles, is varied in type, size and application, ranging from standard saloons to heavy commercials and even rough terrain vehicles such as Snowtracs.

The whole operation is handled within the company. BT's Motor Transport Executive, managed by Mr Peter Mitchell, employs 3,200 people and provides transport services to the various BT divisions under contract, ensuring competitive pricing. The executive is structured as a contract hire company and operates on that basis.

Mr Mitchell says the executive was required to break even on its overall activities and has done so since 1984 when it was formed to take over the running of the transport operation.

The largest part of this is the 320 workshops, spread over the country to provide service facilities for BT vehicles, which employ about 2,800 people.

In addition to the head office, there are nine regional offices and 46 service control centres, which control workshops and typically look after about 1,400 vehicles.

While there are some reciprocal servicing arrangements with the Post Office which go back to the days before BT was formed, and with police and ambulance services, most of the workshops do only BT work.

Mr Mitchell says: "Ours is not a typical fleet since the use of most of our vehicles is somewhat unusual. The vans are really used as mobile toolboxes, and mileages are below average."

BT engineers normally try to carry out a day's work in a particular area, travelling short distances between calls. Utilisation of drivers, not the vehicles, is the important factor, he says. As a result, vehicles of this type now average about 7,000 miles a year and are bought "off the shelf" from the manufacturers, with some modifications. This so-called "yellow fleet" is in the 300 to 1,000kg payload range, and BT at present has about 50,000 of them on the road.

These vehicles are spread over three weight categories: nearly 25,000 in the 300 to 500kg range, nearly 20,000 up



A Snowtrac vehicle working at Hadrian's Wall in winter

to 750kg, and nearly 8,000 up to 1,000kg. The lighter weight vehicles are supplied mainly by Austin Rover, the middle range by Ford and the others by Dodge, Ford and Leyland.

Up to 11,000 new vehicles are bought outright each year, with BT able to exercise considerable bargaining power on the manufacturers because of the numbers involved.

Direct purchase has been regarded as the most cost-effective option, in view of the extensive servicing facilities operated by BT.

Disposals are carried out through car auction companies, with good prices being obtained generally owing to the low mileages involved. Vehicles are depreciated over six years and are usually sold with less than 45,000 miles on the clock.

In addition, auctions are regarded as suitable because of the large numbers of vehicles involved.

Most BT vehicles are modified in some way, such as the inclusion of a bulkhead behind the driver, a ladder rack and other minor changes, but this appears to have little effect on residual values.

Heavier BT vehicles are generally standard, with some body modifications carried out by specialist companies, and these are replaced about every 10 years. Some of the special units, such as those used for pole erection, are kept even longer, since their usage is comparatively low.

BT also has a fleet of about 5,250 cars used by managers and sales staff, which are also bought outright and disposed of by auction at 50,000 miles or three years. These are mainly British-hadged cars, from Ford and Austin Rover.

Data on these vehicles is computerised, with computer links to the BT workshops, so that overall costs can be monitored

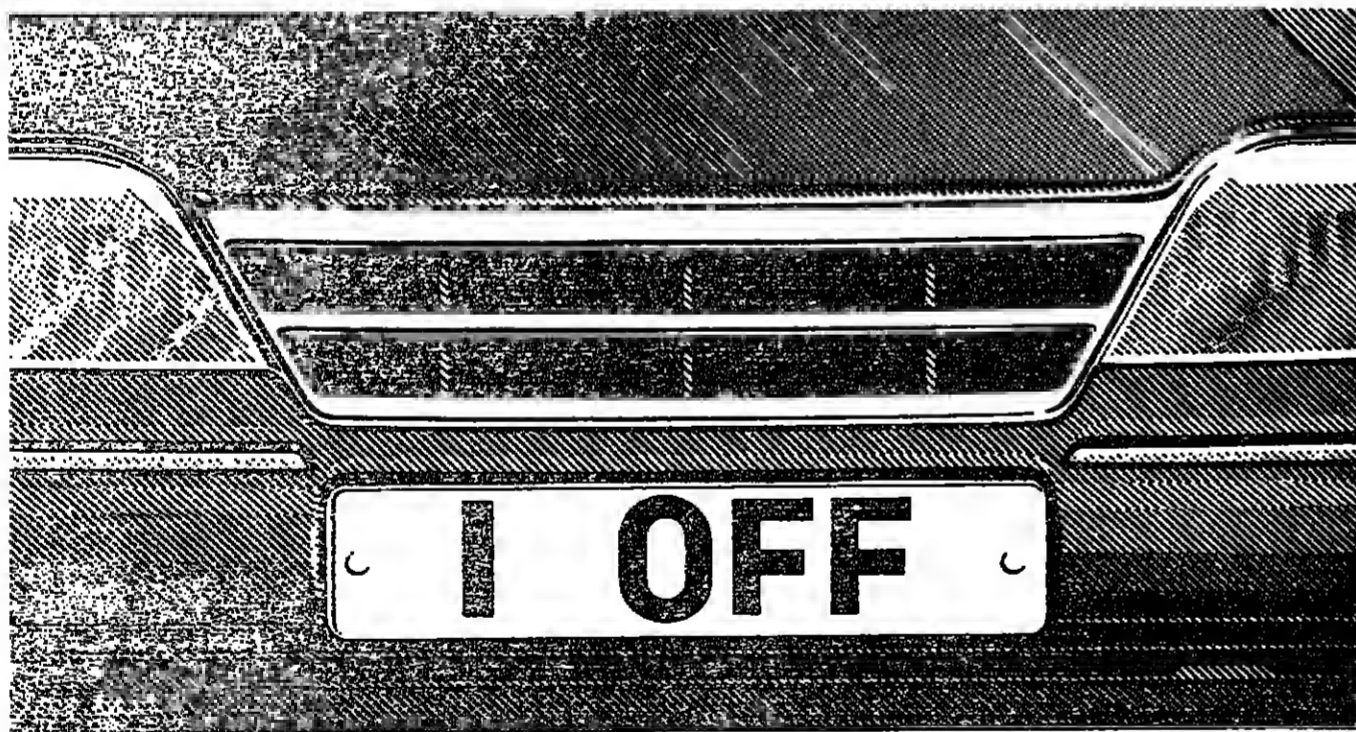
closely. Mr Mitchell says that more sophisticated management methods, such as whole life costing, are now being examined.

BT is committed to a big training programme to ensure that its workshops are as efficient as possible. These are regarded as an important asset in providing vehicles for the company at competitive prices.

While about £40m a year is spent on acquiring new vehicles and considerable advantages are gained by dealing direct with motor manufacturers, BT believes that its major advantage is through its efficient servicing and repair of its vehicles in its own workshops.

BT is examining ways of improving efficiency even further in this area, and will continue to make changes in the structure of its workshop network throughout the country to make the best of the resources.

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VEHICLE FLEET MANAGEMENT 12

Martin Derrick on the company-car policy of Colt International

UNTIL THE late 1970s, Colt International used to buy its company cars. When it realised that the cash tied up in vehicles could be put to better use elsewhere within the company, it switched to flexible leasing.

Then in the early 1980s, when the industry in general slimmed down and looked rather harder at sub-contracting non-core business services, Colt turned to contract hire from Birmingham-based Autolease.

Colt International's business is the design and installation of heating, ventilation, and fire protection systems. In the UK, it operates just under 200 cars and light commercials and, according to personnel director Brian Cowtan: "Everyone who gets a vehicle does business journeys. The majority do quite high mileages and so at most no more than two dozen could be described as park cars."



Personnel director Brian Cowtan (right) with site services manager Steve Skelton: "The economics are appropriate"

In switching to contract hire, Mr Cowtan's intention was to find a complete fleet acquisition and management package so that Colt would not have to employ any additional staff to run the fleet.

In the same way that the operation and day-to-day management of the staff restaurant and of the office cleaning service were being put out to sub-contractors, so it seemed to make sense to sub-contract all aspects of running the fleet.

Also, at that time contract hire actually became a little cheaper than flexible leasing, so we made the change. Initially contracts covered 40,000 miles but this was later increased to 50,000 and then again to 60,000 miles "because the economics are appropriate to us."

Time does not come into the equation; vehicles are replaced only when they have covered the specified mileage. On average, Colt's vehicles are changed every 2½ to three years, because annual mileages aver-

Contract for a total package

age between 22,000 and 23,000. Just over half of Colt's company car drivers are given some form of user choice, limited by maximum engine capacity and a maximum monthly rental. Drivers are allowed to pay extra for more highly-specified vehicles if they wish, but the choice is also restricted to what is described as UK source manufacturers - chiefly Austin Rover, Vauxhall and Ford.

At the moment there are no Peugeot or Nissan in the fleet "but that might change in the future." Cars made in a country where a Colt subsidiary exists, or which "contains a high level of British components" may also be authorised, but there are probably no more than half a dozen such vehicles in the fleet.

Whether cars are allocated, or whether there is an element of user choice depends upon both annual mileage on company business and job position. The 45 per cent of drivers whose cars are allocated may choose only the colour they prefer.

Currently all the allocated cars are Vauxhall Novas, Astras or Cavaliers. However, Mr Cowtan has decided to switch the allocated cars to Ford in 1988 "because they have become more popular with

the drivers and because they are fractionally better on maintenance and slightly better on residuals at the moment.

"We are looking at these things all the time because we are spending around half a million pounds a year on rentals in the UK from a total turnover of £22m - which is quite a high proportion."

Though Colt rents its vehicles under a standard contract, some minor amendments have been made in the last couple of years.

Previously, salesmen covering high mileages would be given a replacement vehicle after 48 hours if their own were off the road for any reason.

That was something for which Colt paid extra, but the company had that option removed when it discovered that in practice replacement vehicles were rarely required and it was cheaper to hire replacement vehicles when they were needed.

However, though Colt does have standard contracts, Mr Cowtan makes the point that his company's good relationship and understanding with Autolease is an important aspect of the overall fleet management strategy. "The whole idea of opting for contract hire is that you can reduce your own staff to an absolute minimum; but if you find yourself having any aggravation with your supplier then you've destroyed the whole point because you end up having to get involved with administrative work in-house anyway."

"Checking out companies, it is always possible to find someone prepared to under-quote for contract hire business. But we feel it is better to pay a small premium for a better level of overall service and especially for an element of flexibility. "It is vital not to find yourself stuck with a company that at all times insists on the letter of the small print."



For those who prefer a compact high quality car to a larger more popular model, the BMW 318i is favoured in the UK



Still unsurpassed for ride comfort and lack of road-induced noise - the Daimler 3.6 version of the new Jaguar saloon

How they go

Size no longer denotes status

THE LATEST cars, regardless of class, perform so well that buyers or user-choosers no longer have to ask if they will be fast enough.

Any potential business car, from a junior rep's supermini to the chairman's carriage, is capable of sustaining the official 70mph (112kmh) or the unofficial, but widely-tolerated 80mph (130kmh) motorway limit indefinitely.

Maximum speeds matter little. What is important is how quickly and quietly the car reaches and maintains its cruising speed and how comprehensive the equipment. Status is no longer equated with size.

For many drivers, a small to medium-size car of high specification with a prestige badge on the radiator grille is preferable to a much bigger one in the same price class. A BMW 5 Series instead of a Vauxhall Senator, a VW Golf GTI rather than a Rover Group MG Montego.

High equipment levels, with good-quality stereo radio/cassette players, electric windows, sunroofs and central locking are now taken for granted. For management users, automatic transmission and air conditioning are increasingly desirable, while power-assisted steering and fuel injection are essential.

Since Ford pioneered anti-lock brakes as part of the standard Granada package, they have been regarded as a useful, safety-related item. So too is full-time four-wheel drive, which, because more popular every year on cars of high power-to-weight ratio.

In essence, then, the choice is often between a high-volume manufacturer's product, well equipped but of conventional design, and a smaller, more sophisticated car. This will be of higher perceived status and may well have all-wheel drive or ABS brakes, perhaps both.

It is a purely personal view, but for a long-trans-Atlantic journey I find that freedom from fatigue is more easily achieved in a large car. The West German Autobahn are de-strengthened, but motorway speed limits in countries such as France are strictly enforced: steady 80-85mph (130-137 kmh) a big car like a BMW 7 Series, with automatic transmission and very high overall gearing, is supremely effortless, surprisingly economical and as comfortable as one's own drawing room.

Much the same may be said of the Mercedes S Class and Audi 200 though they do not isolate their occupants so well from road-induced noise. For sheer silence, the latest Jaguars and Daimlers have no peers and few rivals.

One size class down, the Rover 800 and its Honda Legend stable companion impress with their refinement. They are four-door saloons with roomy boots, a body many medium to large car buyers prefer to the hatchback.

Mercedes-Benz, whose 200-300 range is still the yardstick against which executive-type competitors tend to be judged, has never made a hatchback. Nor has BMW and



The Vauxhall Senator CD saloon, an alternative to the Ford Granada, has 2.5-litre or 3-litre in-line 6-cylinder engines

neither manufacturer has any cause to regret it. Ford Granadas (Scorpios in mainland Europe) ride buoyantly and, especially with the optional all-wheel drive, have excellent handling and road-holding, but their V6 engines cannot match a good in-line six for smoothness. When these cars eventually have a boot lid instead of a tailgate the Granada's appeal will be increased, as Ford found with the Sierra Sapphire saloon.

The Fiat Croma, Lancia Thema and Saab 9000 all share some major sheet metal components and, in their higher-performing versions, have four-cylinder, 2 litre engines with turbocharging and intercooling. They drive well, the Fiat feeling a bit lighter than the Thema, the Saab a shade sportier than the Italian cars.

One of the most interesting newcomers is a fourth variation on the Fiat/Lancia/Saab theme, the Alfa Romeo Type 164, with a choice of in-line four-cylinder or 3 litre V6 engines. Brief experience persuades me that if any car can restore Alfa's faded glory, it is the 164.

PSA Group (Peugeot/Citroen) has only the ageing 505 and CX ranges in this class. Good though they are, on French D roads especially, they are no longer really competitive and their successors are not far off.

Though pleasant to drive or ride in and with potent turbo-charging, the Renault 25 suffers from having both a tailgate and a very high seat sill. The Vauxhall (Opel) Senator saloon is an attractive alternative to the large Ford, with high standards of ride comfort and road noise suppression.

Volvo's 700 series saloons have recently benefited from being given independent rear suspension to replace Europe's last surviving rigid driven axle in this market sector.

Among medium-sized cars in the sector dominated in Britain by Ford's Sierra, the Vauxhall Cavalier and Rover Group Montego, the new (and British assembled) Peugeot 405 will make a big impact this year. This four-door saloon was chosen as Car of the Year 1988.

It has the traditional Peugeot virtues of an excellent ride and nimble handling combined with styling which is as clean and modern as that of its predecessor. The 305, had been dated.

Though handicapped by inadequate luggage space, the Audi 80 and 90, and especially the 90, seem to offer everything else a mid-sized car buyer could reasonably require, including

With the Escort, Ford became the first maker to offer anti-lock brakes as optional equipment in a car of this size and price.

The Honda Ballade-based Rover 200 saloons are pleasing alternatives to the market-leading Ford. The 1.6 litre Rover-engined version, especially the Vitesse and Vanden Plas EFI, combine useful performance with interior touches one expects of a Rover at quite keen prices.

Vauxhall's rival Astra hatchback and Belmont saloon are among the few cars in this sector with optional power steering, which is much appreciated by any city centre driver.

Among the smallest fleet cars, the Rover Group Metro feels at its best in town and suburbs - its lack of a five-speed gearbox seems less important than it does on long motorway journeys.

The Peugeot 205 rides notably well and is seen as a Metro, Vauxhall Nova or Ford Fiesta alternative.

This year, the ultra-economical and comfortably-suspended Citroen AX could also make its mark among managers of smaller fleets who want something a little different but have to work to a low budget.

Stuart Marshall

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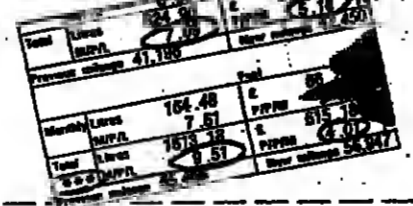
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KEENING LEASELINE

VEHICLE FLEET MANAGEMENT 13



Foden articulated truck at work

Latest trucks tested

Performance with fuel economy

BRITAIN HAS long been Europe's most price-sensitive commercial vehicle market. Demand for trucks and vans "built down to a price" has been sustained longer in the UK than in such countries as West Germany, France and Holland and in Scandinavia.

The steep decline in continental sales of the Bedford range and of Ford's D-series models through the 1970s illustrates the point. Buyers adopted a longer-term view, looking at whole-life operating costs rather than being seduced by a low initial price.

Slowly but surely British operators, especially those running the larger fleets - nowadays more professionally managed - are moving towards the same commercial philosophy. They are prepared to spend more when they buy new vehicles, in anticipation of longer life, fewer mechanical problems and the corollary of a higher resale value when replacement falls due.

At the same time, transport managers are more conscious than ever of vehicle performance as it bears on day-to-day operating expenditure. Fuel consumption inevitably must be included under the heading of performance in this context.

Increasingly, deliveries are scheduled within specified time "windows", the aim being to avoid vehicle congestion at goods-inwards bays - notably where space is restricted behind High Street retail premises.

It used to be thought that in a truck the sort of generous engine power and torque which made for lively acceleration and hill-climbing performance was quite incompatible with parsimonious fuel economy, and indeed with high overall operating efficiency. But 1980s diesel technology has brought a new perspective on the performance-economy balance.

Fierce competition between truck diesel producers has led to improvements in engine efficiency of 15 per cent or more which could not have been envisaged in the early 1970s. Millions of pounds, "dentschmarks", Kronen, guilders and indeed dollars and yen have been plunged into diesel research and development with the object of extracting more performance from a given amount of fuel.

All-new diesels like Cummins' 6 litre B-series and the related 8.3 litre C-series have transformed fleet operators' productivity expectations. Not only are these engines more economical than nearly all their older rivals, they are also lighter and structurally simpler and more compact, making them easier to

install for chassis makers like ERF and Leyland-DAF (B-series) and Iveco-Ford (C-series). The two-axled ERF E6, powered by the 190bhp turbo-intercooled 6.27A engine, set record acceleration times when I tested it last year. Thanks in part to the engine's installation, the ERF 16-tonner also scored high marks for refinement, proving to be as quiet and smooth as the best of the continental competition.

In lower-powered 6.5T form in the 7.5 tonne Leyland Roadrunner, the same engine was also impressive, on test, from both a performance and economy viewpoint. Among proprietary truck engines, the only serious competitor to the Cummins B-series is Perkins' new-generation Phaser, of almost identical capacity - 1 litre per cylinder. Unlike the 'B', the Phaser was

The new 'supertrucks' need not be thirsty on fuel in the hands of sensible and diligent drivers

derived from a well-proven existing design, the Perkins 6.354, which is in service in many thousands in Dodge and Seddon truck chassis.

Seddon has adopted the new Phaser to replace the 6.354 in its latest 16-tonner, the 3-II, which competes directly with the E6 from ERF and with 10 other makes of maximum-weight four-wheeler on the UK market.

On test last year the 2.11 demonstrated the Phaser engine's 1980s standard of fuel efficiency, matching closely the miles-per-gallon figures from the ERF. Acceleration times of the Seddon were markedly slower, however, and, subjectively, noise and vibration levels fell short of the E6's benchmark standards.

Perkins is not the only manufacturer to breathe state-of-the-art technology into an established engine design. In the last year Volvo, Scania, DAF and Fiat-Iveco have updated some or all of their truck diesels, most notably through the application of intercooling, whereby induction air from the turbocharger is cooled in a heat exchanger, like a second radiator, so that more air is drawn into the engine at each induction stroke.

In turn, this makes for cleaner and more complete combustion of the fuel. Higher injection pressures and smaller more responsive turbochargers have also played a part in raising diesel efficiencies, which in Volvo's case have led to increases in power and

torque across the company's whole range of medium-heavy truck engines, with the promise of no fuel consumption penalty. DAF has applied the successful intercooling experience on its largest 11.6 litre engine to the 6.2 litre unit, enabling the latter to be updated in performance. As a result the Dutch company has been able, for 16/17 tonne applications, to substitute the intercooled 6.2 litre for the much heavier and more costly (to manufacture) 8.25 litre engine fitted previously.

When I test drove the latest F1900 recently, it came close to emulating the ERF E6's performance and fuel economy. Perhaps not surprisingly it is at the heaviest 36 tonne high-profile end of the truck market where performance and operating economy come in for the closest scrutiny and the greatest debate, in distribution company boardrooms and over the egg and chips in transport cafes up and down the country.

More and more horsepower is on offer. The 400hp barrier was breached at the beginning of the decade by Scania of Sweden with its 41 hp 14 litre V8.

Since then Fiat-Iveco has upgraded its massive 17.2 litre V8 to a similar output level, to be followed in 1986 by Mercedes-Benz, whose 14.6 litre V8 was updated with much improved breathing to deliver 429 hp. Also in Germany MAN has made available an intercooled version of its long-established 18.3 litre V10, for left-hand drive markets only, producing 460hp.

Most recently, Volvo has launched its biggest engine yet, an all-new 448 hp 16 litre inline six to power a flagship range of trucks, badged F16.

Over a cross-section of Swedish road conditions late last year I was able to drive a number of F16 models at all-up weights from 35 to 52 tonnes. At the UK permitted limit, the arguably over-powered Volvo, like its rival the Mercedes 1644 of similar output, takes most main road gradients in top-gear stride.

During a full UK test on the big Mercedes, acceleration times, not surprisingly, were faster than any recorded previously with a 38-tonner; through the gears, 20mph was reached in 9.2 seconds and 40mph in only 32 seconds.

In the hands of a sensible and diligent driver these new "supertrucks" need not be thirsty on fuel. Their generous power and torque mean fewer downchanges, and lower average engine speeds, with consequent economy advantages, so that for similar journey times, the big engine benefits can be turned into durability and possible fuel-savings.

Alan Bunting

KENT-BASED Browns Transport started life at the beginning of the century with a single vehicle. By 1945, when Geoffrey Brown, son of the founder and now managing director, came into the business there were five.

Now it is a general haulage company, though specialising in bulk liquids and bulk powders, running 20 trucks and more than 80 trailers.

A wholly-owned subsidiary in France deals with the continental side of the business, and an office at Dover eases the passage through customs formalities. All the haulage equipment is owned by the company. None of the vehicles or trailers is either leased or under contract hire agreements.

There are very good reasons for this, according to Geoffrey Brown. "Obviously we need finance - from the bank or from one of the finance houses - but everything here is bought outright."

"We buy because really the only assets we have are our vehicles. Furthermore, for a company such as this it is cheaper to own the vehicles."

"That's simply because our business is transport; if the business was manufacturing bricks or any other commodity, then I certainly would not want to own any vehicles."

"The reasoning continues along the lines that, under a contract hire or leasing agreement, the capital cost of the vehicle has virtually been paid within about three years."

"While you've certainly had the use of the vehicle during that period, you don't benefit from the residual value - and that can be considerable."

All the trucks bought since 1981-82 have been Seddon Atkinson, and now the whole fleet is of one make. All are 38 tonnes gross, and the majority are modern six-axle air suspension units.

Before switching to Seddon Atkinson, Browns ran Saviem and Berlioz trucks, but Geoffrey Brown is convinced that the advantages of running one make outweigh the disadvantages.

Profile: Browns Transport



Cross-channel trailer of the Browns fleet

Benefits of a one-make fleet

The chief drawback, he says, is that it becomes impossible to play one supplier against another when it comes to negotiating the purchase of new trucks.

But the advantages for Browns include the availability of a good local Seddon Atkinson dealer, and the fact that repair and maintenance becomes considerably more efficient. Browns in-house mechanics know the vehicles thoroughly and so can complete servicing jobs quicker and better. Also, in-depth knowledge of the running characteristics of a particular type of truck allows the mechanics to recognise problems quickly and remedy them.

From the company's point of view fewer expensive special tools are required, and a smaller parts stock can be carried. Purchase of both trucks and trailers is spread throughout the year so that too many MOT tests do not fall due at the same time, and to avoid having to tax them all at the same time. "An important consideration at £3,200 a vehicle," Mr Brown says.

Currently the company is negotiating to buy half a million pounds-worth of new specialised taut-liner trailers, because they allow the widest possible number of load applications.

"Since our business is to carry other people's goods we have to be prepared to carry just about anything so long as it is not too specialised. "Having the right equipment available and having a certain amount of spare capacity means you can be flexible in the way you operate, and that's important because we get our business not just on price but also on the overall service we are able to provide our customers."

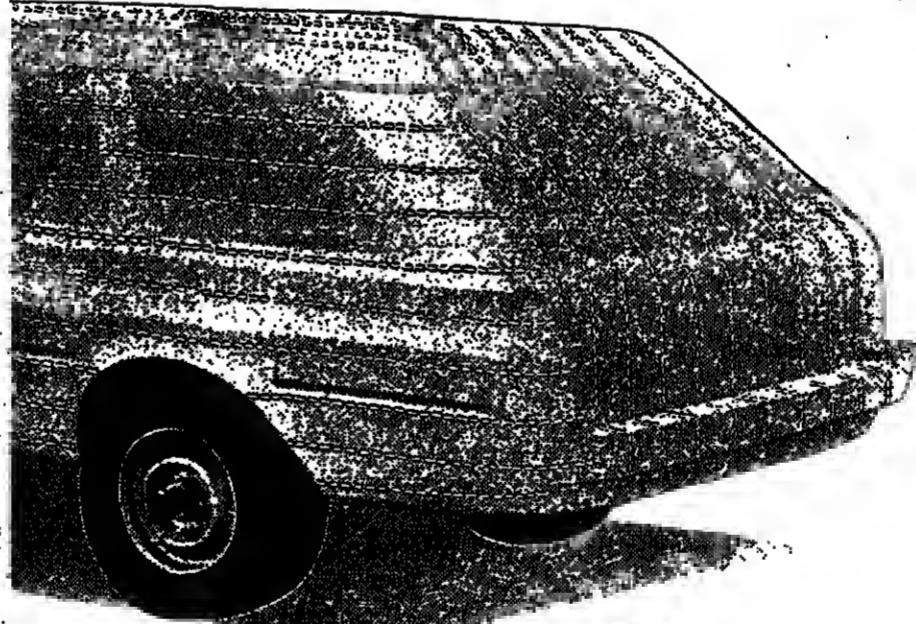
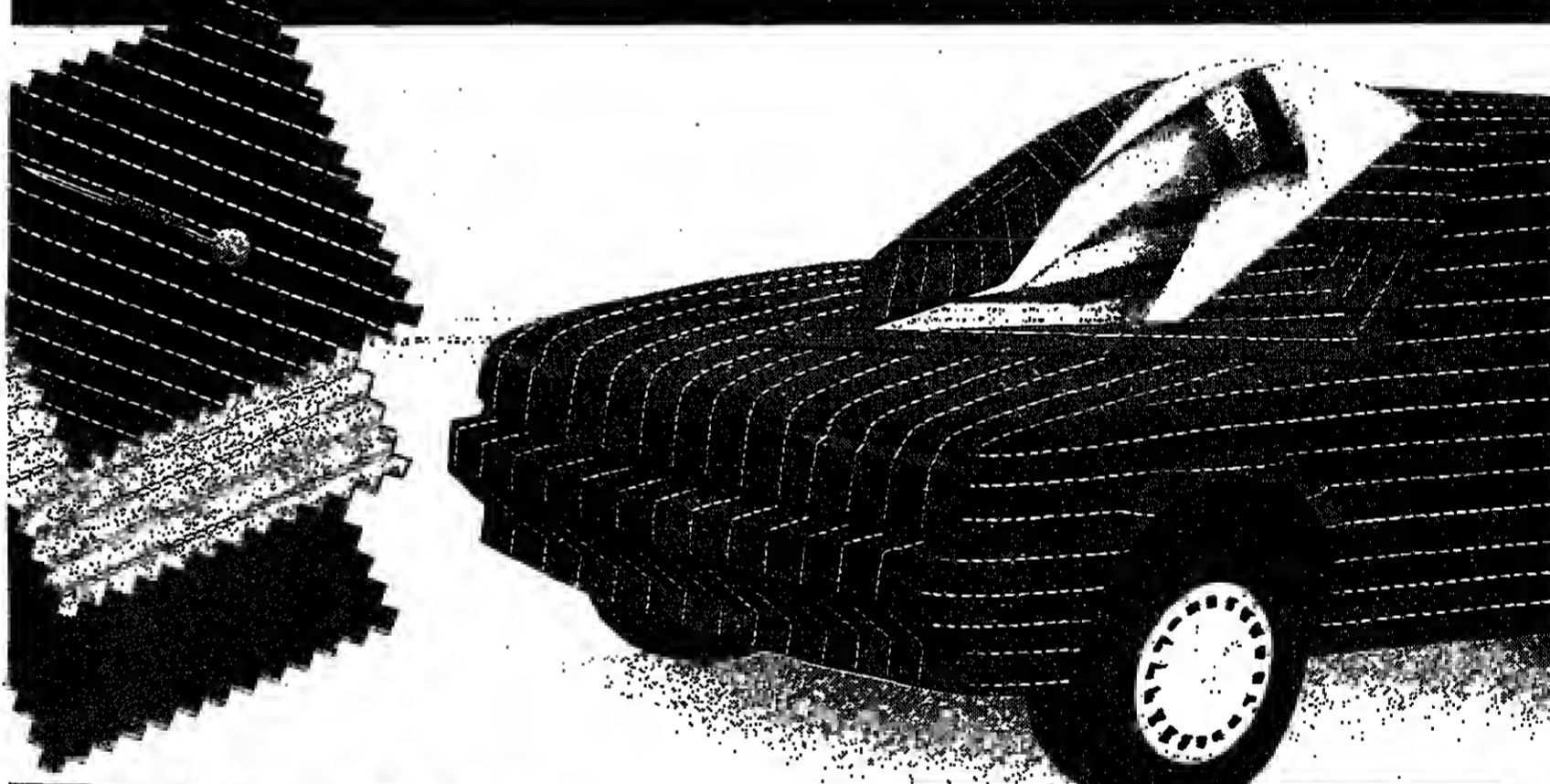
For continental work, which provides 80 per cent of earnings, trailers go unaccompanied and onward transport is organised by Browns' French subsidiary. The only normal exception to this is tankers, which go accompanied.

Disposal policies have altered radically in recent years. In the past the company ran its vehicles until they had to be scrapped.

Now, the amount of downtime this involves makes it senseless to keep vehicles so long. As soon as major repairs start to become necessary, vehicles are traded or auctioned, and replaced.

Martin Dentek

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VEHICLE FLEET MANAGEMENT 14

Charge cards

Missed options on accountability

THE NAME of the game for companies with vehicle fleets should be accountability, especially for monitoring the estimated £3bn a year of petrol used by executives with company cars.

Yet, surprisingly, it is still only a minority of companies which actually make use of some of the specialist fuel card monitoring services available.

Moreover, this reluctance to come to grips with the fuel side of business travel is echoed in other aspects of corporate control of business expenses. American Express, in a survey of business travel and entertainment costs published this month, reveals that relatively few companies are really concerned about escalating travel expenses.

"Companies which would fight to the last drop of blood to get a good deal on a new photocopier are cheerfully tossing away thousands of pounds simply because they fail to get to grips with simple fundamental issues like 'who can spend how much and on what,'" says Mr Christopher Rodrigues, managing director of American Express's UK travel management services division.

American Express, not surprisingly, runs a specialised consultancy service to help companies manage business expenses, including buying petrol for company cars.

Corporate Amex and other charge cards, such as Diners Club, along with Visa and Mastercard cards account for an estimated 23 per cent of the £3bn company fleet fuel market.

The most usual form of payment is cash or cheque, which accounts for 35 per cent of sales, followed by garage credit accounts with 28 per cent. Specialist fuel cards, however, have only 14 per cent of the market at present, achieved through the issue of about 500,000 cards in total.

Yet it is these cards which represent most growth potential because of the control that they give companies over expenses. "Many companies start using specialist fuel cards because they want a centralised billing system," points out Ms Judy Douglas-Boyd, marketing director of Overdrive, one of the leading fuel card specialists.

"But once they have got used to the idea, they realise how much more they can do for them in terms of running their business."

Fuel cards such as Overdrive can help companies in a number of ways:

- Individual receipts do not need to be gathered because the card invoice is a VAT invoice. In addition, the Overdrive system gives a VAT analysis by product showing net and gross figures;
- Controls can be instigated

before the card can be used, such as on the type of fuel to be bought, and who by.

• The give details of where petrol has been bought and a fuel brand analysis showing the company's total spend, by fuel brand, for any given period;

• Management reports are generated showing a wide range of information, such as where too much is paid for petrol, costs per mile of individual vehicles, and so on.

"A fuel card is essentially an information system running from a piece of plastic rather than a conventional credit card," Ms Douglas-Boyd says.

The source of such a management information system is the transaction document - the sales voucher detailing the registration number of the vehicle on the forecourt, the amount of fuel bought, and the cost.

Although the voucher can sometimes be filled out incorrectly - or the writing may be poor - a good fuel card system will monitor the raw data. Suspect information at the processing stage can be scrutinised, corrected if required, and then flagged on the reports to the user-company.

This allows the fleet operator to look only at error reports, therefore highlighting suspect vehicle or driver performance, rather than having to look at the whole fleet picture.

It also helps to ensure that sensible

information is reported, rather than figures which are obviously the result of poorly written or poor input data.

This degree of sophistication at the voucher editing level can allow the user-company to insert its own controls by requesting that certain conditions, within fixed criteria, are highlighted on the account.

Any vouchers processed on weekends, for example, would highlight a driver's possible unauthorised fuel purchases at the weekend.

As many vehicle fleets have a significant proportion of their fuel supplied in bulk and stored on site, fuel cards can also be used to register such transactions. This gives the fleet operator a picture of the whole fleet consumption, rather than just petrol bought from retail outlets.

Ms Douglas-Boyd suggests that the growing sophistication of management information arising from the use of fuel cards means "that the common ground between fuel cards and other credit card companies is decreasing."

She also believes that "the gap between market leaders such as ourselves and others is also widening."

Harpur Holdings, the company that operates Overdrive, also operates the Esso Chargecard along similar lines for use in Esso garages.

Its main rival is All Star, a fuel card operated by the PHH vehicle fleet management group. All Star also operates the BP Supercharge card.

The third major specialist fuel card operator is Dicalard, which used to handle Shell's Gold Card although is now handled by a smaller operator.

With less than a fifth of the UK market, specialist fuel cards clearly have plenty of growth potential in this country. Trade sources suggest that it will account for some 40 per cent of the market by the early 1990s.

Even so, PHH has started making inroads into Europe with a similar system to its All Star card. Although the proportion of company car fleets in Europe is smaller than in the UK, there are some 7.5m commercial vehicles which PHH believe is a prime target market.

It faces competition, however, from the oil majors in most continental European countries. Shell, for example, already operates a company fuel card system - called the 'S' card - in France.

Mr John Cullum, managing director of PHH, says: "We were responsive to Honeywell Bull's requirements and offered some guarantees on depreciation risks. On price, we were competitive because we use our own money and have a high



John Cullum of PHH: offered guarantees on depreciation risks

Profile: Honeywell Bull

Leaseback package may set a pattern

HONEYWELL BULL, the major computer company, recently concluded a vehicle leaseback deal with fleet management specialists PHH which could set the pattern for other large companies.

The £4m deal is unusual in a number of ways but principally because 16 companies were invited by Honeywell Bull to make proposals, and PHH won with a modified contract hire and petrol card package.

While few large companies are now prepared to take on full management services as well as financing, preferring to retain greater control, PHH offered a hybrid between contract hire and leasing.

Mr John Cullum, managing director of PHH, says: "We were responsive to Honeywell Bull's requirements and offered some guarantees on depreciation risks. On price, we were competitive because we use our own money and have a high

credit rating."

He admits that PHH had an inside track because it was already providing funding and full fleet management to 640 vehicles within the Honeywell Bull Fleet. This new agreement provides financing and full management services for the remaining 810 vehicles, which were previously provided by another company.

Honeywell Bull's financial controller, Mr Bill Ray, says: "Our decision was based on PHH's comprehensive and competitive response to our tender, and on their ability to cater for all our future vehicle-related requirements."

He says that when he inherited responsibility for the fleet from the company's financial director, he discovered that the question of vehicles had not been examined for some time and set about getting a better deal.

The 16 companies invited to make proposals regarding fleet management included leasing and contract hire companies, banks and some which offered early petrol card services.

An initial study had shown that the use of two companies to provide vehicles was probably not as cost-effective as one, particularly in the area of data processing.

It had also been established that form-filling relating to petrol and car expenses was a waste of employees' time.

For this reason it was decided that a petrol card scheme should be introduced, covering petrol and oil only, to be charged directly to the company.

At the same time, the company's policy on types of cars being purchased was examined, particularly in relation to the exceptions which had built up for various reasons.

A study of car efficiencies was carried out, and it was decided to extend the range of vehicles available to employees to include European-made cars.

Mr Ray points out that PHH's contract hire proposals were accepted mainly on the basis of cost, but with the added advan-

tage that it was able to provide its All Star petrol card service at the same time.

The resulting agreement was the largest of its type yet concluded by PHH, which has recently moved to a new £10m headquarters building in Swindon. It brings the number of vehicles under management by the company to more than 50,000.

The deal coincides with PHH's entry into the contract hire business with a fixed-rate contract hire scheme under which the calculation of rentals and other charges will be disclosed to clients.

Mr Cullum says: "We have been aware for some time of a gap in the contract hire market as far as the smaller fleet is concerned - 'smaller' in this context meaning anything from just a handful of vehicles."

"At the same time, we have been aware of the deficiencies in many of the schemes currently on offer, particularly when it comes to being frank with customers about how you calculate their charges and early termination penalties."

Mr Cullum believes that it is not only smaller companies which like the benefits of fixed price contract hire, particularly if guaranteed residual management is included in a hybrid package, as the Honeywell Bull deal has illustrated.

"We think the market is going that way to some extent, but a lot of companies want reassurance on depreciation and we believe we will be able to provide it." He points out that competitive pricing will remain a key factor.

Another important element for a company as large as Honeywell Bull is the ability of the supplier company to provide direct input into its computer system, allowing instant call-up of information on the vehicle fleet, and the ability to analyse the data.

For Honeywell Bull, with 1,450 vehicles on the road, it is regarded as vital to have such information instantly at hand.

Lorne Barling



Judy Douglas-Boyd: companies want a centralised billing system

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VEHICLE FLEET MANAGEMENT 15

Trailers

Crash shakes growth hopes

DEMAND FROM transport fleets for articulated trucks, with an all-up weight as high as 38 tonnes, remains buoyant. Registrations of artic trailers last year were up by about 15 per cent on 1986.

No official figures are available recording sales of the semi-trailers to which those trailers are coupled. But industry sources suggest a similar percentage market growth. Some 12,000 heavy trailers were produced in 1987, compared with just over 10,000 the year before.

Though the health of the trailer industry is superficially buoyant, confidence in its longer-term growth has been shaken by reverberations from last October's stock market falls.

According to Jim Davies, managing director of York Trailer - which, now as a division of Bunt Transport, claims to have plucked its main rival Crane Fruehauf for market leadership in 1987 with one in three of all UK sales - loss of financial confidence prompts distribution directors and fleet purchasing executives to delay replacement programmes.

New trailers are at the top of the list of expendables in such circumstances. It is easier and less costly to extend the life of an existing trailer than of more sophisticated fleet equipment.

Current orders for new plat-

form, van and curtain-sided-trailers for general haulage work, many of them placed in the middle of last year, will keep manufacturers busy through to May or June. In the case of refrigerated "reefer" trailers, despite accounting for a growing percentage of the market, at about 800 units a year, order books have a slightly less optimistic look.

Though as Mr Davies points out, one major order from say a big food distributor - having itself typically just won a contract to serve a national supermarket chain - can quickly turn gloom into boom for a reefer manufacturer.

Demand for reefers surged ahead in 1986, following a legal concession allowing them to be 3.6m wider. This enabled two more metric pallets to be accommodated - 24 instead of 22 - without resorting to so-called thin-wall construction which had earlier proved unsatisfactory in terms of both structural strength and insulation.

Today's almost 8ft 8in-wide reefer trailers cost no more than their thin-walled equivalents and are no heavier, so the extra loadspace productivity, set against traditional thick-wall units, is a genuine bonus. In particular it helps British refrigerated haulage companies which operate internationally some way towards remaining

competitive with their European counterparts.

However, for the past 18 months most EEC countries have permitted artic weighing up to 40 tonnes, with as much as 11 tonnes on one axle. Britain's 35 tonne maximum, with its 10.5 tonne axle limit, inhibits the competitiveness of all UK-based international hauliers carrying freight which is sufficiently heavy in relation to its volume (ie dense enough) to bring the all-up weight of an artic combination to the legal maximum.

In manufacturing, York is moving back into Europe after an interval of 15 years. A 76,000 sq ft assembly plant at Dordrecht in Holland is being commissioned in March where trailers initially will be assembled using frames and other major components shipped from Britain.

Products to be marketed, concentrating initially on Holland and Belgium, and later France and Italy, will include the Thermostar reefer trailers now in full production at a recently re-equipped plant at Harelaw, Co. Durham.

Crane Fruehauf, as one of several European subsidiaries of the American Fruehauf Corporation, does not export into Europe in its own right. But in the UK and in Third World markets CP and York remain in strong competition, not least in

the supply of reefers.

A wide-bodied design rivaling the Thermostar was launched last year by GF, after a period when the company, as a matter of declared policy, refused to build thin-wall units.

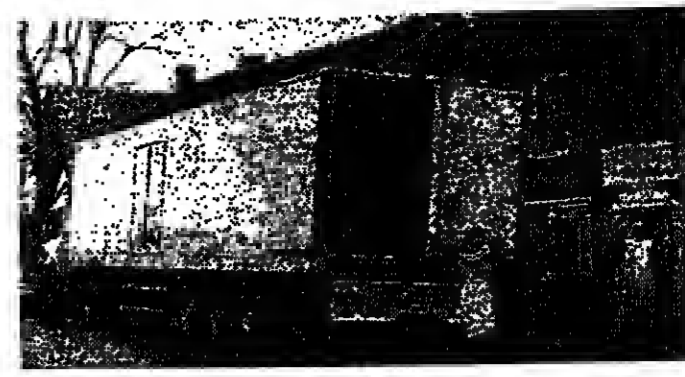
Britain's third largest trailer producer is Craven Tasker, part of the John Brown group known traditionally for its shipbuilding activities, itself acquired in 1986 by Trafalgar House, which now wants to sell the trailer maker, with its factories at Burton-on-Trent, Stafford and Cumbernauld.

A planned management buy-out headed by managing director Norman Mellors at the end of last year was thwarted. Now, the acquisition of CT by an outside buyer appears imminent.

Among the companies which might be expected to make a bid for part or all of CT is Doncaster-based Carrymaster, a fast-growing independent company which has announced its intention to invest up to £6m in production facilities for reefers alone.

The UK reefer market is beginning to look over-subscribed with two French and a Danish importer in contention as well as important reefer specialists such as Gray & Adams and GRP-Massey and the big three trailerbuilders.

Demand for temperature-controlled trailers has been stimu-



The need for freshness has stimulated the trailer market

lated indirectly by the last decade by the revolution in grocery retailing in Britain. Tough competition in the High Street between the big-name supermarket chains has included a drive for fresher produce on the fruit and vegetable shelves, with multiplies seeking to improve on the freshness offered by the small greengrocer.

Specialist growers and importers like Hunter Saphir have themselves set up distribution subsidiaries, serving such retailers as Sainsbury and Marks & Spencer, establishing a "cold chain" whereby cabbages, lettuce and other perishables are moved under controlled-temperature conditions all the way from the farmer's field to the supermarket shelf.

This implies the use of refrigerated vehicles and such are the volumes of produce being delivered to ever-larger retail outlets that articulated trucks with reefer trailers are invariably needed. Sales of the latter have risen to about 800 units a

year.

For the movement of general cargoes in artic trucks, flat platform semi-trailers, requiring loads to be tediously sheeted and roped, have largely been supplanted by enclosed trailers - either container-like vans or, increasingly, curtain-siders.

Design ingenuity has injected keen competition into the curtain-sider market, led for several years by the specialist bodybuilder Boelloy, with consistent challenges from rivals such as Southfields, Lawrence David and indeed York, whose latest design incorporates a patented elevating roof, developed initially to win a big order for 520 trailers from Ford.

The feature coaxes the trailer to comply with Britain's anomalous truck height limit regulations, which apply only at gross weights above 32.5 tonnes.

Alan Bunting

The popularity of contracting out is accelerating

Distribution trends

Food multiples point in third party direction

AS DISTRIBUTION becomes increasingly complex and specialised, more and more companies are opting to contract out such activities to third party specialists.

The size and scope of operations varies considerably from one contract to another but basically the term "contract distribution" is taken to mean the provision by a third party specialist of a complete distribution facility dedicated to, and operated on behalf of, a particular customer.

This can range from the straightforward running of a specific customer's commercial vehicle fleet through to the operation of warehousing facilities or a complete distribution centre.

In some cases, the complex may be designed and built by the contract distribution company for the customer.

Many of the arguments in favour of contracting out distribution, as opposed to handling the function in-house, are along the same lines as those used to promote contract hire for car and commercial vehicle fleet operations. Broadly speaking, they centre on overall cost and operational advantages, plus the fact that companies using third party specialists are freed from the responsibilities of the day-to-day running of their distribution operation.

Arguments against contract distribution and in favour of own-account operation are rather harder to quantify. Certainly, perceived cost is a factor in the minds of companies which are continuing to run their own distribution activities.

Distribution contracts can be worth millions of pounds so companies with well-established and, to them, efficient in-house distribution operations may be reluctant to incur what might at first sight appear the high cost of contracting out.

Adding to that reluctance can be a fear factor, with companies preferring to leave well alone an in-house operation which appears to be functioning satisfactorily rather than risk possible problems by handing over distribution activities to a third party.

Some companies still believe they are better placed to meet their own distribution requirements than any contractor which might be brought in. Generally, though, the idea of contracting out distribution activities is gaining ground across a broad range of British industry.

Leading the way in that respect are many of the large multiple retailers, particularly those in the food sector, which see highly efficient distribution as vital to their success.

A major factor in such efficiency is the centralisation of supply arrangements and, increasingly, the employment of outside specialists to handle the resulting large and very sophisticated distribution operations.

At the same time, manufacturers are being forced by those changes to review their own distribution arrangements, a trend highlighted in a report on the UK distribution scene published by the National Freight Consortium's NFC Distribution Group.

The report claims: "Own-account operations, particularly those run as operating divisions of manufacturers, have been severely pressured. With high fixed costs, such operations have become a financial burden for many manufacturers at a time of increasing economic pressure for cost efficiency."

Faced with those pressures, manufacturers, too, are now handing over more of their distribution functions to outside contractors. In some instances, distribution specialists are taking over the manufacturer's central warehouse facility and managing the whole distribution operation.

In other cases, third party

Philip Hastings

operators are being employed by manufacturers to handle distribution in particular sectors or distribution trends. By handling "own" distribution activities to a contractor, the retailer or manufacturer can free often substantial amounts of capital for use elsewhere in their business.

Responsibility for investing in vehicles, trailers, equipment and, increasingly, new computer systems falls to the contractor who can also be called on to design and build completely new warehouse/depot facilities.

Importantly, the distribution industry can settle for lower returns on that investment than the customer company which by contracting out can then allocate the additional capital to areas of higher return.

Apart from the capital aspect, companies switching to contract distribution are also largely freed from the dilemma of whether to divert their own management resources to activities which may not be considered part of their mainstream operations.

"The ability to obtain on contract a specialist management team or parts of a management team, as required, is one of the key advantages of a contract relationship. It allows the customer in that situation to concentrate on achieving objectives through the distribution channels rather than being physically involved in day-to-day or week-to-week management," says Mr Mark Bedeman, managing director of NFC Contract Distribution.

Handing over distribution operations to a third party can also pave the way for changes which the customer company may well already have been in favour of but had found hard to introduce.

For example, bringing in an outside contractor can sometimes help to resolve any union restrictive working practices left over from the 1960s and 1970s.

Similarly, a third party can also often cut through a customer company's own internal management politics and bureaucracy to produce solutions to particular distribution problems.

In some cases, a contractor can identify a need for radical change in the whole strategic operation of a customer's distribution system.

One example is quoted by Mr Alan Jones, managing director of TNT UK, which includes in its activities the contract distribution company TNT Contract Services.

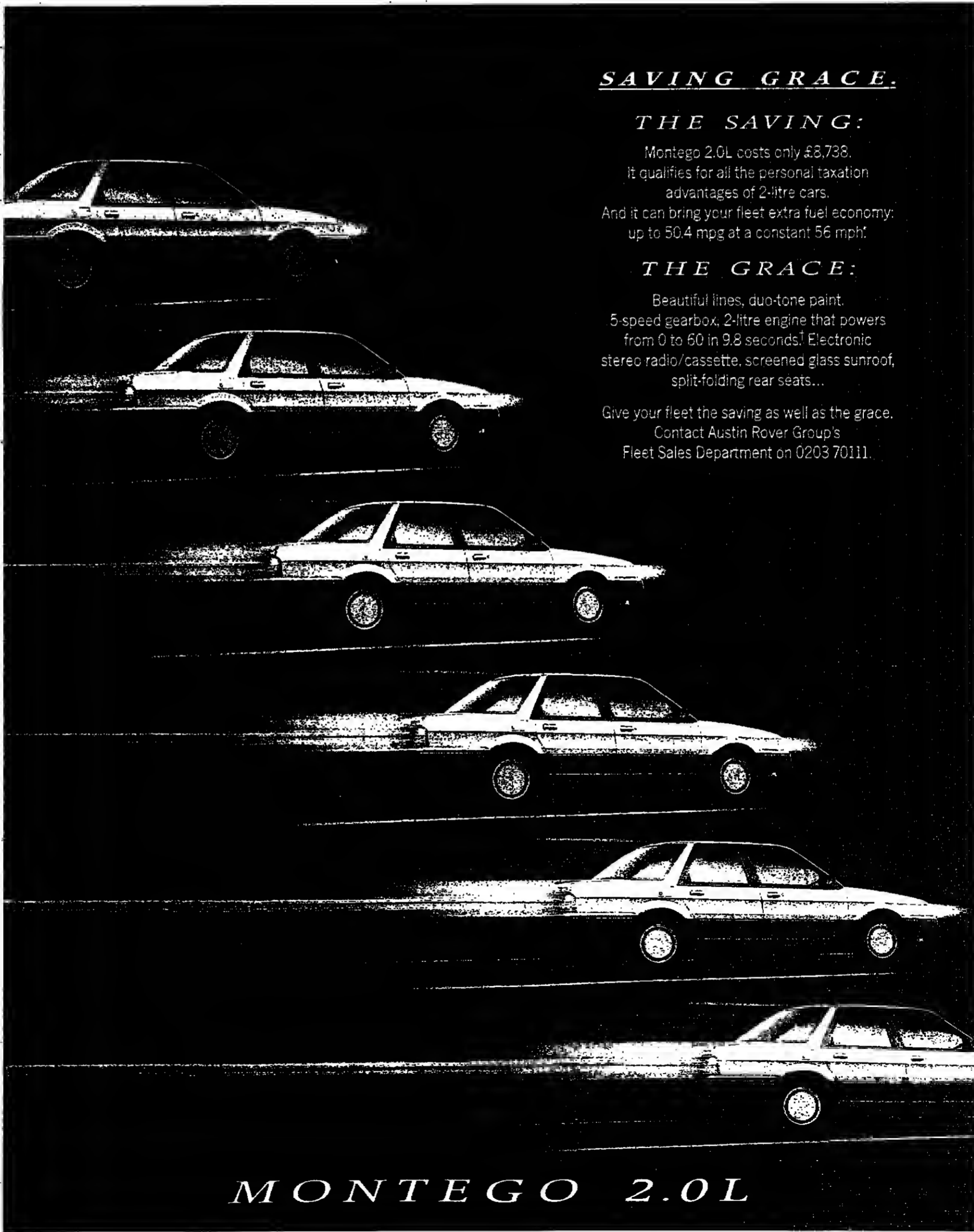
"TNT Contract Services examined the operations and composition of a mixed fleet of more than 130 vehicles which delivered products from a central warehouse to over 2,000 retail outlets each week. "We were able to identify a system which improved transit times and increased the frequency of delivery to the shops with a reduced fleet of only 82 vehicles," Mr Jones says.

"The improvement in efficiency was achieved by operating from TNT outbases located throughout the UK using double-shift vehicles trucking at night and delivering during the day. The previous system provided for single-shift operation of a fleet without the use of outbases."

In addition to contract distribution, demand is also growing for third party common user distribution services.

Manufacturers in particular are finding that with up to 70 per cent of some products now being routed through regional central warehouses, requiring substantially fewer but larger drops, there is insufficient traffic left to sustain their own in-house transport operations.

As a result, they are handing over the remainder to a third party operator.



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VEHICLE FLEET MANAGEMENT 16

The evolving fleet car

Pressure on the vehicle planners

THE INTENSELY competitive nature of the fleet car market leads to pressure on the manufacturers' vehicle planners as much as their financial and marketing colleagues.

Fleet sales may be concluded because the financial package is right, or the back-up service the best offered; or it may be that the salesman is able to offer exactly the kind of car the buyer's fleet drivers are looking for.

To this end, the major car makers research the desires and aspirations of company drivers.

The assumption that such drivers want a better car than their rivals is naive. They know that within the rules of the fleet operating game and the hierarchy of their own company they are going to be given a particular kind of car, at a particular - though probably nominal - price.

What they earnestly wish is that the car they get should be as good as possible within those constraints, and that it should convey what they see as the right kind of image.

To understand how this attitude has come about, and the way the car manufacturers have responded, it is easiest to begin with the wrong kind of image.

There is a widespread public assumption - especially among those who have bought cars with their own money - that the company car driver pursues his high-pressure existence in a vehicle which reflects the price constraint under which it was bought: plain in appearance, under-equipped inside and under-powered for the manner in which it is habitually driven.

The fleet driver, knowing this, feels a strong need for a car which at least appears to contradict that assumption.

Ford was inevitably the first company to follow this train of thought to its logical conclusion and produce a special model line to satisfy the need. The Sierra LX is cunningly, one might almost say cynically, designed to look and feel good without straining the buyer's budget.

Thus it has a two-tone paint finish, the lower half in sporting black with a distinctive red stripe. It has low-profile tyres and special wheel trims, a rev counter, and door mirrors which adjust from inside the car.

These are all items which can be fitted without adding too much to the cost. The tyres for instance give a sporting look without being as wide as those fitted to the genuine up-market Sierras.

The door mirrors are not electrically adjusted. The seats remain standard, because special wrap-round sports seats are expensive.

The only exception to this rule is the sunroof which, research has shown, is the most preferred single extra feature among typical high-mileage company drivers.

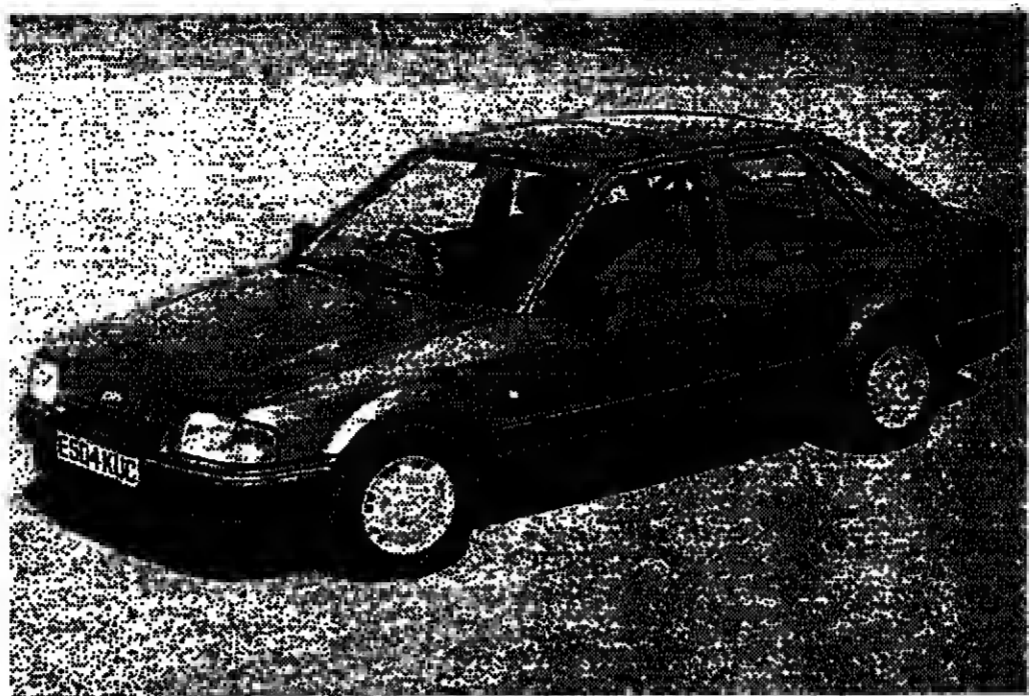
Indeed this preference is so strong that it impelled Ford to make anti-lock brakes a standard fitting on the Granada, when it emerged that when given the choice between ABS and a sunroof, all too many drivers would opt for the latter.

This attitude is reflected in the fleet buyers' relative indifference to major mechanical features. Some industry observers raised eyebrows when Ford launched the rear-driven Sierra on the heels of the immensely successful front-driven Vauxhall Cavalier and predicted market failure as a result.

As it turned out, the Sierra's initial sales stutter was purely the result of how it looked. The question of front or rear-drive made astonishingly little difference to fleet customers.

It was no accident that the Sierra, king of the company fleets, was the first Ford model to be accorded the LX treatment. Ford's sales literature makes little mention of its intended target, for that would be giving too much of the game away; instead it stresses that the LX is "an attractive car for an attractive price" with "value-added features".

The real point of the exercise is seen in the price list where the Sierra LX lies closer to the L model below it than it does to



Ford's Escort LX: follows the Sierra philosophy

the GL above. The success of Ford's LX policy has led both to its extension, and to counter-moves by rivals.

Those in the market for a smaller fleet car can now opt for a Ford Escort or Orion LX to which exactly the same philosophy has been applied. Vauxhall has countered with its Cavalier 1.8Li, and Rover with the Montego 2.0Si.

Both faithfully reflect much of Ford's thinking: they are overly sporting in appearance without involving the buyer in high expenditure on the unseen technical trappings of genuinely sporting models.

However, while Ford chooses to offer its LX versions with a wide range of engines, Rover and Vauxhall have chosen to add more power to the recipe. Where the choice of engine is concerned, something of a revolution has been wrought with the vanishing of the old 1.3-litre tax-break point.

Ford and Vauxhall have not rushed to abandon the 1.3-litre size. (Rover did not have one anyway, once it had abandoned the old B-series engine for whose benefit, paradoxically, that particular break-point was originally chosen). Sales directors felt that retaining a choice of three engine sizes might provide a useful intermediate step for large fleets which needed to maintain a complex pecking-order among drivers.

There are, however, increasing signs that the 1.8-litre size is on the way out. Vauxhall for instance has cut the number of 1.8-litre Cavalier versions in

favour of extra 2.0 litre vehicles.

One of the main requirements for a model range which can be sold strongly to fleet markets is a choice between saloon and hatchback models. It is another part of the company-car myth that travelling salesmen are invariably equipped with hatchbacks.

In fact any fleet manager with an interest in the safety of high-value loads is likely to lean towards a saloon (the discreet gateway feature is the extra security lock for the boot lid).

Rover has always found more fleet sales success with the Montego saloon than the hatchback Maestro, and Ford's launching of the Sierra Sapphire saloon was the major event of the fleet car business in the past year, and one which hammered another nail into the ageing Cavalier's coffin.

At the higher "executive" level, fleet car marketing is more subtle. There is no room for anything so obvious as the LX-ploy because at this level, virtually all cars are sold into fleets where everyone knows the significance of such things.

Nor is there any clear agreement on whether an executive car should be a hatchback (Ford Granada, Renault 25) or a saloon (Rover 800, Vauxhall Carlton). There is however a clear trend towards fitting the biggest-selling versions with high-efficiency, fuel-injected, 2.0-litre engines giving the performance formerly expected of a 2.3 or 2.5-litre.

Ford will give this trend a major boost later this year when the Granada receives its new range of power units.

Automatic transmissions now feature very strongly at the executive level but there is very little sign of a similar breakthrough in the Sierra/Cavalier class. Newcomers to the fleet market show every sign of following existing evolutionary trends.

Nissan has been at pains to market the Washington-built Bluebird to fleets with an openly LX-type message: its fleet-oriented model is actually the SLX, complete with mandatory sunroof and choice of engine size and saloon or hatchback body style.

By contrast, Peugeot, whose 405 has just entered British production at Ryton, may find itself hampered by the lack of a hatchback version, and by the fact that the obvious fleet-choice version, the 405GL, offers the sunroof only as an option.

Meanwhile, industry researchers continue to take their soundings and feed them back to the product planners. Their key problem is devastatingly simple: what feature is going to take over from the sunroof as the next most-desired feature on the typical company car?

When the planners know that, and have further refined the cosmetic touches which make each salesman's work-horse look like an off-duty rally car, the next generation of fleet cars will be upon us.

Jeff Daniels

Diesel cars

Steady sales increase

THERE is still a very long way to go before diesel cars are widely accepted in Britain, particularly in the all-important fleet market.

Even though the great majority of fleet operators know very well that the fuel economy of diesel-engined cars is significantly better than petrol vehicles, and that diesel cars tend to last longer, there are still reservations about the diesel's generally higher initial price and about residual values.

Sales of diesel cars have been increasing steadily for the last few years, though from a very low base. Compared with many other European countries, the UK's sales penetration (which according to Glass's Guide estimates might exceed 5 per cent for the first time in 1988) remains very small.

In comparison, figures for 1986 reveal that total diesel penetration in Italy and Belgium had already reached 26 per cent; 22 per cent in Germany and 15 per cent in France.

Leslie Allen, director at Glass's Guide, believes fleet and business users have every reason to be cautious about diesels.

The four cardinal factors influencing buying decisions are capital costs, maintenance costs, fuel costs and residual values, and he notes that diesels score heavily for fuel economy and benefit also in relation to both capital and maintenance costs.

However, he says he is "far more cautious" when looking at the future of the residual values of diesels. "There is no doubt that during 1986 and 1986 residual values for most diesel cars were very strong, and in fact were better than the petrol variants."

"There were however only a limited number of these cars reaching the market. The increased supply in recent years together with the expected rise in the future will continue to change the position."

"Our own research has shown that at the start of 1986 diesels enjoyed a level of residual values some 3 per cent above those of comparable petrol cars. However, by the end of the year these had been narrowed and in most cases had reached parity."

"As the supply of used diesel vehicles increases, it is debatable whether the present level of residual values will remain, he believes."

However, despite fears in the

corporate sector about residuals, a recent report by the Taylor-Nelson Research company indicates that as many as one in seven petrol car owners might buy diesel next time round.

The study into the diesel car market, carried out for a consortium of motor manufacturers and oil companies, involved more than 900 interviews with diesel and petrol car owners. Two hundred van owners and 130 fleet operators were also questioned.

Taylor-Nelson's conclusion was that price is the key factor determining the rate and level of diesel penetration; and they note that aggressive marketing by diesel car manufacturers is already eroding the difference

diesel derivatives. Rover is to offer diesel versions of both the Rover 800 and the R5 Maestro replacement in due course.

Fiat has also recently joined the UK diesel market, mainly to take advantage of possible changes in Derv taxation policy. Diesel versions of the Uno and Regata are already available and Fiat's new medium car, the Tipo, which is due to be launched in the UK in June, will also be offered with a diesel variant.

Of the market leaders, Ford consolidated its position as market leader by introducing a marketing programme that reduced the price of diesel cars to that of the equivalent petrol model.

The UK's best-selling diesel cars

	(Jan-Nov 1987)	%
1 Citroen BX	10,880	12.3
2 Peugeot 205	6,760	11.1
3 Ford Escort	5,928	10.1
4 Peugeot 309	7,791	8.8
5 Ford Fiesta	6,296	7.1
6 Ford Orion	5,226	5.9
7 Ford Sierra	4,406	5.0
8 Vauxhall Astra	4,208	4.8
9 Vauxhall 305	3,287	3.7
10 Vauxhall Cavalier	2,787	3.2

Source: SMMT

between petrol cars and their diesel counterparts.

The UK diesel car market is currently dominated by three suppliers - Ford, Peugeot and Citroen. Between them they account for nearly 70 per cent of all sales of diesels, despite the fact that 45 different diesel models are offered by a total of 16 different manufacturers and importers.

Market leaders are Ford with some 29.5 per cent of the diesel market, followed by Peugeot (24 per cent) and Citroen (15 per cent). Vauxhall accounts for a further 9 per cent, Nissan for 4 per cent and Mitsubishi for 3.5 per cent.

Volkswagen and Renault each account for 3 per cent and Mercedes-Benz for 2.5 per cent. The remaining 6.5 per cent is shared between Audi, Daihatsu, Fiat, Isuzu, Rover, Toyota and Volvo.

Of these minor players, both Fiat and Rover are gearing up for additional diesel sales. The export successes Rover has been enjoying in recent months - particularly in mainland Europe - can only be underpinned by the addition of

However, the number of diesels sold by Ford is only about 4.5 per cent of its total sales - close to the current market average. In contrast, some 21 per cent of Peugeot's and 30 per cent of Citroen's sales are diesels.

Both companies have experienced dramatic growth in the diesel market. Peugeot sold 13,476 diesels in 1986. In 1986, when Peugeot sales overall increased by 17 per cent, diesel sales increased by 22.1 per cent to 16,630.

Growth in diesel sales was even more dramatic in 1987 when, with Peugeot's overall sales figures again increasing - this time by 16.3 per cent - diesel sales went up 42.4 per cent to 23,415.

Similarly, Citroen's share of the diesel market has increased from 0.3 per cent in 1983, to 4.3 per cent in 1984, 10.2 per cent in 1985 and 16.7 per cent in 1986. By the end of November, 1987 Citroen had sold 15,250 diesel cars, taking 15.2 per cent of the total market.

Martin Derrick

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SECTION II - COMPANIES AND MARKETS FINANCIAL TIMES

Wednesday January 27 1988



American Express loses \$104m in fourth quarter

BY ANATOLE KALETSKY IN NEW YORK

AMERICAN EXPRESS, the diversified US financial services group, reported a net loss of \$104m or 24 cents a share in the fourth quarter...

Financial Services, the company's insurance and investment services division, also turned in a good performance. Annual profits were up 24 per cent to \$124m and quarterly profits to \$34m...

37 per cent, from \$2.4bn to \$1.5bn. American Express's share of Shearson Lehman Brothers' \$93m net loss in the fourth quarter came to \$70m. For the year as a whole, American Express took \$89m of Shearson Lehman's \$101m net profits into its own net results.

Raymond Snoddy talks to the head of News Corp about his stake in Pearson, publisher of the FT Murdoch sets sights on US joint venture

MR RUPERT Murdoch, chief executive of News Corporation, would like to form a joint venture with Pearson, publishers of the Financial Times, to launch a separate American edition of the FT to take on the Wall Street Journal in its own right.

the FT in a joint venture, a separate business or even under licence. A Far East edition was also a possibility, Mr Murdoch said he had not yet outlined his thoughts on co-operation to the Pearson management.



Rupert Murdoch: Might lift stake to 24.9%

Would he ever consider selling The Times in the hope of being able to get a Financial Times purchase past the Monopolies and Mergers Commission? "No I would not. Absolutely not. I think The Times is a great newspaper and can be a much greater one," Mr Murdoch replied.

he would not launch a bid for Pearson for at least 12 months unless there was a material change in the circumstances of the company. He stood by his original comments, and the Takeover Panel statement merely reflected the "minimalist" formal language they preferred.

Solid performance for Morgan

BY OUR NEW YORK STAFF

MORGAN STANLEY, the large US investment bank, remained solidly profitable in the fourth quarter, confirming earlier reports that it had passed relatively unscathed through October's stock market crash.

This loss, combined with the abrupt decline in underwriting and merger activity after the crash, led to a 76 per cent decline in investment banking revenues, which totalled \$60.8m, compared with \$44.7m in the fourth quarter of 1987.

earlier. The tax charge was down sharply at \$5.7m, against \$23.9m. Mr Parker Gilbert, chairman, singled out the sales and trading areas as having performed particularly well in the "volatile and challenging environment" of the last quarter.

The Royal approves takeover of Dome

By David Owen in Toronto

ROYAL BANK OF CANADA, Canada's largest financial institution, has approved a takeover proposal by Amoco Canada's C66.6bn (US\$4.33bn) bid for Dome Petroleum by announcing its approval of the US-controlled company's takeover proposal.

Merck boosted by weak dollar

BY RODERICK ORAM IN NEW YORK

MERCK, boosted by strong market acceptance of new drugs at home and abroad and the sharp decline in the dollar, has reported sharply higher sales and profits for the fourth quarter and year.

Dr Roy Vagelos, chairman, said: "Income growth and improved earnings margins resulted from unit volume gains, a better product mix, a lower effective tax rate, the continuation of cost controls and productivity improvements as well as the favourable effect of (foreign) exchange."

Earnings per share for the year also benefited from Merck's repurchases of common stock during 1987, it said. The program of additional repurchases of \$1bn of stock, announced in July, was completed during the fourth quarter, the company said.

3M rises 16% to \$216m in three months

By Our New York Staff

MINNESOTA MINING and Manufacturing (3M), the diversified US industrial group, has reported steady profit and sales growth for the latest year and quarter, reflecting the favourable impact of a lower dollar and strong domestic demand.

Net profits for the three months ended December rose 16 per cent, to \$216m or 96 cents a share from \$186m or 81 cents a year earlier. Revenues grew by 12 per cent, to \$2.38bn from \$2.12bn. The foreign exchange translation effect of the lower dollar added \$23m or 10 cents a share to profits.

Fresh fall in profits for Boeing

BY OUR NEW YORK STAFF

BOEING, the world's leading maker of commercial aircraft, has reported a further fall in profits for the fourth quarter and full year because of increased research and development costs and other factors associated with new manufacturing programmes.

slipped to \$4.6bn from \$4.9bn. Boeing's operating profit fell to \$480m or \$3.10 a share from \$666m or \$4.28 on sales of \$16.36bn against \$16.34bn. Pre-tax earnings dropped more sharply to \$668m from \$1.03bn.

in 1986. It expects 1988 sales of about \$17bn. Research and development costs increased to \$824m from \$767m while administrative charges rose to \$733m from \$606m.

Northern Telecom advances

By Robert Gibbons in Montreal

NORTHERN Telecom (Nortel), the telecommunications equipment maker controlled by Canadian industrial holding company, BCE, has reported improved revenues and profit in 1987.

AMOCO, the US oil group, more than doubled profits in the fourth quarter to \$377m or \$1.47 a share, from \$165m or 65 cents. In 1987 as a whole, Amoco made \$1.36bn or \$5.31 a share against \$747m or \$2.91.

Arco showed earnings of \$240m or \$1.86 a share in the fourth quarter, against \$64m or 35 cents a year earlier. Its annual profits were \$1.22bn or 6.88 a share, against \$1.22bn or 6.88 a share, or \$3.38 per cent on the \$616m or \$3.38 it earned in 1986. Total annual sales increased 12 per cent to \$16.83bn.

Amoco doubles earnings as product margins rise

BY OUR NEW YORK STAFF

AMOCO, the US oil group, more than doubled profits in the fourth quarter to \$377m or \$1.47 a share, from \$165m or 65 cents. In 1987 as a whole, Amoco made \$1.36bn or \$5.31 a share against \$747m or \$2.91.

Uoacal reported quarterly net earnings of \$30m or 26 cents a share, down from \$49m or 42 cents in the last quarter of 1987. The decline was due to lower gains on asset sales. Annual profits were \$181m or \$1.56 against \$176m or \$1.51.

Costs hold back Quaker

BY OUR FINANCIAL STAFF

QUAKER OATS, the US foods and toy group, yesterday posted lower second-quarter earnings, largely because of an 11 per cent rise in advertising and merchandising costs.

Operating earnings rose mainly on strong results in the Fisher-Price toys division. Net financing costs rose because of foreign exchange losses relating to the devaluation of the Brazilian cruzado and hedge losses from weakness of the US dollar against European currencies.

USX suffers \$14m loss in final quarter

BY OUR NEW YORK STAFF

USX, the US steel and energy group, said yesterday it had a small loss in the fourth quarter because of non-cash charges which otherwise obscured strong operating performance. Full-year results were markedly better compared with 1986's, which were hit hard by restructuring charges and a steel strike.

\$5.55 a year earlier which reflected huge restructuring costs. Operating profits were \$200m against a loss of \$1.55bn, on sales of \$4.25bn, compared with \$2.78bn. Wall Street analysts had expected the group to show further net profit growth in the latest period as it continued to rebound from its deep problems of the mid-1980s and a long steel-making strike which continued adversely to affect operations into the third quarter of 1987.

Full-year net was \$218m or 54 cents a share against a loss of \$1.83bn or \$7.46 a year earlier. Operating profits were \$92m compared with a loss of \$1.48bn, while sales rose to \$4.84bn from \$4.84bn. USX's steel division turned in operating profits for 1987 of \$125m on sales of \$3.7bn, against a loss of \$1.87bn on equal sales. Restructuring charges had a favourable impact of \$66m in the latest year and a negative impact of \$1.03bn a year earlier.

Fermenta to sell US unit

By Sara Webb in Stockholm

FERMENTA, the Swedish animal health and chemicals group rescued from the brink of collapse last year, has agreed to sell Cedar Chemicals, its agricultural chemicals subsidiary in the US, to Nine West Corporation for an undisclosed sum.

CooperVision Holdings a wholly owned subsidiary of The Cooper Companies, Inc. has sold its U.K. Retail Optical Businesses to Dollond & Aitchison Group PLC a wholly owned subsidiary of Gallaher Limited. The undersigned acted as financial advisor to The Cooper Companies, Inc. in this transaction. MORGAN STANLEY INTERNATIONAL December 18, 1987

INTL. COMPANIES AND FINANCE

Marine Midland lifts provisions

BY DAVID DOWELL IN HONG KONG

MARINE MIDLAND, the US bank which last September announced a restructuring plan, has lifted its provisions for 1987. The bank reported a net loss for 1987 of \$408.8m, compared with net income of \$146m in 1986.

About \$270m of the provisions are attributable to Hongkong Bank, but will not affect the parent's 1987 profits - due to be unveiled on March 15 - since they have been debited to the bank's inner reserves.

Yr Wise Purves, the chairman of Hongkong Bank, said: "In common with a number of

US banks, Marine decided to make additional provisions. This was realistic and a sensible way to deal with the problem of Latin American debt."

At the end of 1987, Marine Midland's loan loss reserve stood at \$92m, or 4.24 per cent of total loans. The bank said yesterday that about \$700m was available for "highly indebted countries in the process of refinancing" and that this amounted to about 43 per cent of outstanding loans to these countries.

Other costs contributing to the loss for the year were expenses incurred during the Hongkong Bank takeover and the exclusion of income "related to certain non-accruing international loans." An official said the underlying performance of Marine's commercial and commercial banking businesses in New York State

had been strong, "reflecting the success of the company's strategy of focusing on higher return, primarily domestic, business."

Also in Hong Kong, Bank of East Asia, controlled by the Li family, reported consolidated profits for 1987 of HK\$223.9m (US\$28.7m), a 21 per cent improvement on 1986 profits of HK\$186.2m.

The bank declared a final dividend of 50 cents, taking the total for the year to 75 cents, up from 63 cents last year. It also announced a one-for-five scrip issue.

Bank of East Asia, Hong Kong's largest family-controlled bank, has been listed since 1969 and has built up an important intermediary role between foreign and local companies operating in the territory. Mr David K.P. Li, the chief executive, heads Hong

Kong's Chinese Bankers' Association.

Last August, in an attempt to pre-empt rumours of a possible hostile takeover, the bank reached agreement with China Development Investment, a company closely linked with the Bank of China, and Societe Generale of France, to sell to them a total of 9.99 per cent of its issued capital.

The Li, Fung and Kan families which set up the bank are said to control about 55 per cent of its shares, though directors' interests amount to just 14.5 per cent, according to the latest company report. Among major shareholders is Mr Ronald Li, former chairman of the Hong Kong Stock Exchange, who currently faces criminal charges alleging corruption linked with stock exchange transactions. He has no executive links with the bank.

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Profits rise at Kuwait bank

BY OUR FINANCIAL STAFF

NATIONAL BANK OF Kuwait (NBK), the country's largest commercial bank, increased 1987 net profits by 5.1 per cent to KD26.7m (\$97m) as it continued to expand outside the Gulf.

This was its third consecutive year of profit growth despite adverse conditions caused by local recession, the Iran-Iraq war, and non-performing loans.

NBK is the only commercial bank of the six in Kuwait which has not come under government support since the 1982

collapse of the unofficial stock market. A bank official said end-1987 assets slipped to KD3.02bn from KD3.03bn excluding contra accounts.

Foreign loans accounted for 45 per cent of the total loan portfolio at the end of last year, the official said. Total liabilities were KD2.77bn, down slightly from KD2.80bn.

NBK, which is owned by Kuwaiti nationals, will distrib-

ute KD2.5m of its net profit to statutory reserves, KD9.2m to general reserves and KD15.5m in a cash dividend to shareholders.

It said the dividend, representing 22 per cent of shareholders' equity totalling KD236.5m, would be accompanied by a bonus share issue representing 10 per cent of shareholder funds. In 1986, shareholders' equity was KD217.5m, from which a 20 per cent cash distribution was made.

Earnings advance for Kajima

BY IAN RODGER IN TOKYO

PRE-TAX PROFITS of Kajima, one of Japan's leading construction groups, rose 13 per cent to ¥32.2bn (\$252m) in the year to November.

Sales were down fractionally to ¥1,014.6bn, although orders received rose 12.1 per cent to a record ¥1,100.6bn. Orders for building increased by 19.9 per cent. Net profit was up 9.9 per cent to ¥14.6bn or ¥17.3

per share, and the annual dividend was maintained at ¥9 per share.

Fujita, a second division construction company, said its pre-tax profit in the year to November was up 32 per cent to ¥19.2bn, thanks largely to soaring land prices. The company specialises in urban redevelopment in the Tokyo area. Sales rose only 2.9 per cent to

¥491.9bn. Construction orders received were up 5 per cent to ¥390.4bn. Net income gained 12.4 per cent to ¥4.5bn and the company intends to pay an annual dividend of ¥6, up 9 per cent.

Both companies are changing their year-end to March. Consequently, the next results will deal with only a four-month period.

Ono Pharmaceutical increases payout

BY CARLA RAPOPORT IN TOKYO

ONO PHARMACEUTICAL, a medium-sized Japanese drug company, showed profits up by 32.5 per cent for the year to last November, thanks to improved sales of a wide range of drugs.

The company said that sales of its drugs for treating dis-

eases of the pancreas, circulatory and respiratory disorders were the most successful in the year.

Pre-tax profits as a result rose to ¥23.2bn (\$181.6m) on sales of ¥64bn, up 15.7 per cent.

The company decided to

increase its annual dividend to ¥10 from ¥9. For the current year, the company forecasts pre-tax profits up to ¥23bn on sales of ¥60.5bn. The sales increase in the current year will be constrained by a scheduled cut in drug prices by the Japanese Government.

Generally regarded as part of the private sector, Press shares are held by President Hastings Kamuzu Banda in trust for the nation. As the company recovers and works off its debts the trust is receiving only a small fixed sum annually.

First results from Press in four years

By Victor Masfai in Lusaka

PRESS CORPORATION, which controls nearly a third of Malawi's economy through its interests in agriculture, manufacturing, trading and financial services, has come out of its cocoon and released its first results since restructuring four years ago.

So important is Press to Malawi that the International Monetary Fund and the World Bank were involved in negotiations to restore the company to financial health after its virtual collapse.

Turnover in the year to last September rose to 362.4m Malawi kwacha (\$147.6m) from MK294.2m a year earlier, while pre-tax profit more than doubled to MK38.2m from MK18.6m. Earnings per share were up 316.7% compared with MK9.31.

The company said prospects for the current year were promising if there were no further reductions in the level of import permits.

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

26th January, 1988



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Yamatane Securities (Europe) Limited

Bayerische Landesbank forecasts downturn

BY HANS SIMONIAN IN FRANKFURT

BAYERISCHE LANDESBANK, the third biggest Bavarian bank, expects 1987 partial operating profits to fall by about 13 per cent to just under DM500m (\$288m), according to Mr Ludwig Huber, its president.

Despite the fall, Mr Huber described the year as one of continuing success in difficult circumstances. It plans to pay a renewed 7 per cent dividend.

Total group assets reached about DM131bn last year while total assets at parent company level rose by about 9 per cent to DM125bn.

In 1987, the bank's interest income fell by 2 per cent to

about DM922m against the previous year's record DM944m. As at most other big German banks, commission income fell much more sharply, by 16 per cent to DM115m.

Following last week's announcement of a merger between the two Landesbanken in neighbouring Baden-Württemberg and renewed talk of further alliances among Landesbanken, Mr Huber said "the development in southern Germany will go further... I assume that the pressure of competitive and political circumstances will be decisive for cross-border fusions."

Malbak buys controlling interest in Abercom

BY JIM JONES IN JOHANNESBURG

MALBAK, the Gencor group's industrial arm, has taken control of Abercom, the South African engineering company, in a deal worth about R26m (\$12.6m).

Saulam, the country's second largest insurance company and the 56.8 per cent owner of Abercom, has exchanged its 11.64m Abercom shares for new Malbak shares in the ratio of 306 Malbak for 1,000 Abercom.

Abercom, one of the Johannesburg Stock Exchange's high fliers of the 1970s, ran into trouble some years ago after expanding through acquisitions in the US. Its Davidson Fan division has fallen into losses in the US as difficult trading con-

ditions have been exacerbated by the reluctance of American electricity utilities, the principal customers, to deal with a South African-owned fan manufacturer.

Davidson's European and UK trading has failed to match budgeted profits and, as part of the present takeover, Davidson has been sold to Howden Group of the UK for £9.5m (\$16.8m) cash. Howden will procure Abercom's release from guarantees given on behalf of the fan division.

In the year to last June, Abercom's turnover was R246m and its after-tax profit R7.8m. A dividend of 15 cents was paid from earnings of 40 cents a share.

Magnum wins Progressive Enterprises

MAGNUM, THE New Zealand liquor and tobacco group, yesterday declared acceptances for 86.4 per cent of Progressive Enterprises, a supermarket operator, for which it will now close its takeover offer on Friday, Easter reports from Wellington.

The company said that Australia's Coles Myer was believed to hold 11 per cent of the shares for which acceptances had not been received. Both New Zealand companies are quoted subsidiaries of Briarley Investments, which has been moving to consolidate some holdings.

Wells Fargo & Company

£60,000,000

Floating Rate Subordinated Notes due January 1994

In accordance with the provisions of the Notes, notice is hereby given that for the interest period 26th January, 1988 to 26th April, 1988 the Notes will carry an Interest Rate of 8 1/4% per annum. Interest payable on the relevant interest payment date 26th April, 1988 will amount to £11.11 per £5,000 Note.

Agent Bank: Morgan Guaranty Trust Company of New York London

NOTICE OF PREPAYMENT

THE DAIWA BANK, LIMITED (Incorporated in Japan)

US\$5,000,000

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No. FRC 500061 to FRC 500065, Issued on 8th March, 1988. Maturity Date 8th March, 1989. Optionally Callable in March, 1988.

Notice is hereby given that in accordance with Clause 3 of the Certificates of Deposit (the "Certificates"), The Daiwa Bank, Limited ("the Bank") will prepay all outstanding Certificates on 10th March, 1988 (the "Prepayment Date"), at their principal amount.

Payment of the principal amount, together with accrued interest to the Prepayment Date, will be made on the Prepayment Date against presentation and surrender of the Certificates at the London Branch of the Bank.

Interest will cease to accrue on the Certificates on the Prepayment Date.

The Daiwa Bank, Limited

London Branch, Commercial Union Building, St. Helen's, 1 Undershaft, London EC3A 8JL

27th January, 1988

U.S. \$400,000,000



The Kingdom of Belgium Floating Rate Notes Due 1996

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from 27th January, 1988 to 27th July, 1988 the Rate of interest on the Notes will be 7 1/4% per annum. The interest payable on the relevant Interest Payment Date, 27th July, 1988 will be U.S.\$8,005,21 per U.S.\$250,000 Note.

Agent Bank:

Morgan Guaranty Trust Company of New York London

BANK OF CHINA U.S. Dollar Floating Rate Notes due July 1996 WKN 478 543

In accordance with the Conditions of the Notes notice is hereby given that for the Interest Period from 22nd January 1988 to 22nd July 1988 (the "Interest Period") the Rate of interest on the Notes will be U.S.\$ 7 1/4% per annum. The coupon amount per U.S.\$ 100,000 Note will be U.S.\$ 3,750.00 and per U.S.\$ 500,000 Note U.S.\$ 18,750.00.

The Interest Payment Date will be 22nd July 1988.

In January 1988

Deutsche Bank AG

INTL. COMPANIES AND FINANCE

Kevin Done on the launch of the Tipo, the latest Italian hatchback Fiat mounts small car challenge

FIAT, THE Italian motor group, has launched the second stage of its ambitious recovery strategy aimed at taking over the leadership of the European car market and consolidating its dramatic financial recovery.

With the much-awaited unveiling yesterday of the Tipo, it finally has a serious contender in the vital small family car segment of the European market to challenge entrenched competitors like the Volkswagen Golf, the Opel Kadett (Vauxhall Astra in the UK) and the Ford Escort.

Hitherto Fiat's recovery has been founded on the dangerously narrow base of the Uno, its best-selling supermini, launched in 1983. The success of the Tipo is now vital if the group is to sustain a long-term improvement and banish the bad memory of the chaotic days at the beginning of the 1980s, when its car plants were paralysed by strikes and the group teetered on the edge of financial collapse.

As an earnest indication of its European ambitions and new business-like approach Fiat yesterday eschewed the traditional glossy car launch in some remote, exotic location. Mr Vittorio Ghidella, managing director of Fiat Auto, the group's car division, addressed simultaneous press conferences in London, Rome, Frankfurt, Madrid and Turin directly from his Turin office by satellite.

Mr Ghidella, the man who has masterminded the transforma-

tion of Fiat's automotive fortunes, has learned important lessons from the crisis.

With Fiat's overwhelming domination of its home market - with a share last year of about 60 per cent - he has sought to reduce its vulnerability by broadening its European base, and the Tipo is the first



The Tipo, designed to redress the balance of power in the European market

car which has been designed from the original concept as a European, rather than an Italian, car.

At the same time Mr Ghidella has taken Fiat to the forefront of automated car production technology. Fiat, which had earlier broken new ground with its fully integrated robotised engine (FIRE) plant in southern Italy, claims to have set new standards in the automation of the car production process itself.

The early stages of the production process in the press shops, body assembly, and paint shops have been fully automated. It has made great

use of the pre-assembly of component sub-groups such as the engine, brakes and suspension in modular form and it has managed to mechanise as much as 70 per cent of the mounting of these mechanical parts.

Perhaps Fiat has made most progress, however, in the final assembly, where the world's

car makers have met the most difficult challenges in the quest for greater automation. Mr Pier Giorgio Trovillo, Fiat Auto's director of design development, said yesterday that as much as 50 per cent of the final assembly work has now been automated at the Tipo production plant at Cassino, south of Rome, compared with levels of only 20-30 per cent at most rival manufacturers.

Robots are mounting the dashboards, pedals, steering columns and heating systems, and are automatically testing the switches and steering column stalks. Windcreens, rear windows and front seat are also

mounted automatically.

The number of workers has not been radically reduced although Mr Trovillo said that the higher degree of automation had saved three hours, or more than 10 per cent, of direct labour per car. The production time was down to 25-35 hours per car depending on the model, which represented a saving of about 15 per cent on the 10-year-old Ritmo/Strada model, which the Tipo replaces.

With its Uno model, launched in 1983, Fiat has managed to gain a dominating position in the segment of the supermini in Europe, with sales last year of 698,000 and a share of 19.5 per cent. But one step further up in the market Fiat has been weak and vulnerable. Until now it has never mounted a serious challenge to the market leaders: VW Golf, Opel Kadett/Vauxhall Astra, Ford Escort, and the Peugeot 309.

The Tipo, a five-door hatchback with front-wheel drive, is designed to redress the balance of power. The car comes initially with a choice of five engines, 1.1, 1.37 and 1.55 litre petrol engines, a 1.69 litre diesel and a 1.929 turbodiesel.

Fiat claimed that it won 14.3 per cent of the European car market last year, giving it second place behind Volkswagen, which captured 14.9 per cent. Mr Ghidella said that the Tipo could give Fiat at least an additional half a percentage point next year, in the first full year of production.

La Générale awaits commission verdict

BY TIM DICKSON IN BRUSSELS

THE FATE of Société Générale de Belgique, the Belgian holding group which is under attack from Mr Carlo De Benedetti, the Italian businessman, was hanging in the balance last night as both company and predator awaited the outcome of key legal developments.

The next move in the dramatic nine day old saga was thought likely to be determined by the Belgian Banking Commission, the government-appointed body which discreetly polices stock market activity and which is considering the detailed terms of Mr De Benedetti's offer.

Société Générale has complained that Mr De Benedetti, who already directly and indirectly controls 18.6 per cent of the company through Cernis, his Paris-based holding company, and intends to bid for an un-

specified proportion of the rest, has not followed the proper procedures in informing the authorities ahead of the move.

Mr De Benedetti, meanwhile, has successfully complained to a Brussels commercial tribunal against the Société Générale's "poussé" decision to issue up to 12m new shares into safe hands (thereby diluting his stake) as a co-try to local takeover rules, though in a further twist the court's view appeared to be contradicted by the banking commission itself late last week.

The commission's eagerly awaited verdict, however, was only one of the imponderables being discussed in Brussels yesterday.

Another was the surprise intervention of Mr André Leysen, chairman of Gevaert, the leading Flemish holding com-

pany, who revealed that he is leading a group of companies willing to pay between BF20bn and BF25bn (\$716m) for a roughly 25 per cent stake in Société Générale.

Last night it emerged for the first time that this group includes Assurances van de Belgische Boerenbond, Ibel, Cobepa (another leading holding company which has a big stake in Gevaert) and Royale Belge (the country's second biggest insurance concern).

Mr Leysen is a prominent Belgian businessman, formerly head of the Belgian employers' Federation and until last year president of the Agfa-Gevaert Group, the photographic-film group which is owned by Bayer.

Mr Leysen first made his presence felt in Belgium in the mid-1970s as saviour of De

Standard, the leading Flemish newspaper, but he moved on to greater challenge of Agfa-Gevaert, which was split 60-50 between German and Belgian shareholders when he arrived in 1979. He went on to concentrate Agfa-Gevaert in West German hands.

Mr Leysen appears to have emerged as a protector of Belgian interests against the De Benedetti incursion, though analysts remain uncertain as to which way he will jump. He has said that he wants to retain a Belgian management. But like Mr De Benedetti he also speaks enthusiastically of the opportunities of wider European collaboration.

While Mr De Benedetti's initial reaction to Leysen's intervention was cool, the door for further negotiations has been left conspicuously open.

Electricité de France sees dive into loss

BY GEORGE GRAHAM IN PARIS

ELECTRICITE DE France (EDF), the French state utility, will plunge back into loss this year after three years of profits, unless the Government changes its mind and allows it to raise prices immediately.

Mr Pierre Delaporte, chairman of EDF, said yesterday that the electricity group would just have been able to break even if it had been allowed to raise its prices by 2.5 per cent from the beginning of the year. The Government has made it

clear, however, that no rise will be permitted until the summer - after the presidential election in which Mr Jacques Chirac, the Prime Minister, is a candidate.

EDF is losing FF8m a day at current prices, leading to a loss of FF1.5bn (\$265m) if the 2.5 per cent increase is authorised in July.

Mr Delaporte said that EDF - which was buried under a mountain of FF224bn debt, 1.65 times last year's

FF135.6bn sales, and annual financial costs of over FF25bn - had already failed to reach its forecast for profits in 1987 because of the 4 per cent reduction in electricity prices, in real terms, forced on it by the Government.

Net profits in 1987 reached FF200m - "three times nothing at all" according to Mr Delaporte - rather than the FF1.5bn originally forecast on the assumption that tariffs would only have to fall by 1 per

cent in real terms. Electricity costs have fallen in real terms by 8 per cent since 1983 for households, Mr Delaporte said, and by 11 per cent for industrial users. EDF claims to be the second cheapest European Community supplier.

The group exported a net 29.3bn kilowatt hours in 1987, up 17 per cent from the previous year. Net sales to the UK FF1.5bn originally forecast on the assumption that tariffs would only have to fall by 1 per



NOKIA

Notice of Extraordinary General Meeting

Notice is hereby given to the shareholders of Nokia Corporation (the "Company") of an Extraordinary General Meeting ("EGM") to be held on Monday, February 15th, 1988 at 3.00 p.m. at The Palace Hotel, Esplanada 10, Helsinki, Finland.

The following matters will be on the agenda of the meeting:

The Board of Directors proposes an increase in the share capital of the Company from FIM 679,692,000 to FIM 1,257,749,000 by issuing 33,907,892 new shares of FIM 20 each partly by way of a capitalisation issue of FIM 97,850,200 and partly by way of a rights issue of FIM 180,198,840 on the following principal conditions:

- Capitalisation issue**
3,244,600 common shares and 1,653,350 preferred shares will be allotted on the following conditions:
a) Holders of common shares or those to whom the relevant rights have been transferred are entitled to one new common share for every ten existing common shares in exchange for issue coupon number 14.
b) Holders of preferred shares or those to whom the relevant rights have been transferred are entitled to one new preferred share for every ten existing preferred shares in exchange for issue coupon number 14.
- Rights issue**
a) 4,078,995 common shares and 3,602,266 preferred shares will be offered for subscription on the following conditions:
i) The holders of common shares, or those to whom the relevant subscription rights have been transferred, are entitled to subscribe for one new common share for every six existing common shares, at a subscription price of FIM 105 per share in exchange for issue coupon number 15.
ii) The holders of preferred shares, or those to whom the relevant subscription rights have been transferred, are entitled to subscribe for one new preferred share for every six existing preferred shares, at a subscription price of FIM 65 per share in exchange for issue coupon number 15.
c) The holders of warrants pertaining to the bonds with warrants issued by the Company in July 1987 are entitled to receive one new preferred share for every six existing warrants, at a subscription price of FIM 65 per share in exchange for issue coupon number 1.
- Order to subscribe for new preferred shares**, any combination of the number 15 issue coupons referred to in paragraph 2 b) above or the number 1 issue coupons referred to in paragraph 2 c) above may be used.

3. Time and place for subscription
The subscription period will commence on February 17th, 1988, and end on March 25th, 1988. New shares may be subscribed for in Finland at any Branch Office of Kansallis-Osake-Pankki or Union Bank of Finland.

4. Payment conditions
Payment in respect of shares subscribed for should be made in one instalment not later than June 30th, 1988. For payments made not later than June 15th, 1988, a discount to the subscription price equal to eleven (11) per cent per annum will be offered for the date of payment to the subscription price. Interest equal to eleven (11) per cent per annum for the period from the last payment date to the actual date of payment will be charged.

5. Dividend rights
The new shares will entitle their holders to receive a dividend for the financial year commencing January 1st, 1988.

Details of the aforementioned proposal by the Board of Directors and the documents mentioned in chapter 4, paragraph 4 of the Finnish Companies Act, will be on display from February 8th, 1988 at the Company's Head Office at Esplanada 15A, Helsinki, Finland and at the offices of Enkade Securities, Standiiviska Enkade Ltd at 25 Finsbury Square, London EC2A 1DS. Copies of the proposal in Finnish, Swedish and English and of the aforementioned documents in Finnish and Swedish will be sent to shareholders upon request to the Registrar. Copies of the proposal in English will also be available, on request, from Enkade Securities, Standiiviska Enkade Ltd (Telephone number: 01-638 3820).

Registered shareholders who wish to exercise their voting rights at the EGM must give notice to the Company of their intention to attend not later than February 10th, 1988. Notice may be given to the Shareholders' Registrar in person at the Head Office of the Company during office hours, or by telephone on (050) 0 1807 390, or in writing to the Shareholders' Registrar, Nokia Corporation, P.O. Box 228, SF-00101, Helsinki, Finland. Written notice should arrive no later than February 10th, 1988.

Helsinki, January 1988
Supervisory Board of Nokia Corporation

Thyssen unit lifts earnings to DM88.7m

By Our Financial Staff

THYSSEN HANDELSUNION, the steel and raw materials subsidiary of Thyssen group, increased pre-tax profits for the year ended September 1987 to DM88.7m (\$53m) from DM66m in the previous year.

Mr Dieter Vogel, the management board chairman, said world turnover last year fell to DM11.5bn from DM15.5bn because of lower sales and prices and currency factors.

He said earnings in the current year should show a further improvement and turnover so far was stable.

Mr Vogel said the company wanted to make acquisitions to enlarge its business, particularly in the services sector. Handelsunion wanted to strengthen its recycling, distribution, project management and environment divisions.

Handelsunion contributed DM14m to its reserves last year and DM7m of its profits to the Thyssen group.

Portugal plans airline sale

TAP-AIR Portugal, the state airline, intends to sell to the public 49 per cent of Air Atlantis, its charter subsidiary, some time this year, writes Our Financial Staff.


Mr Joao Leocastre, the TAP chairman, said Air Atlantis posted net profits of E£300m (\$2.2m) in 1987 while TAP itself ran up a loss of E£2bn.

A bill is being discussed in parliament which would allow the partial privatisation of state-owned groups. Mr Leocastre said shares in Air Atlantis would be sold through a public offer of sale on the Lisbon Stock Exchange.

He added that TAP should post a modest profit this year. The airline carried a record 2.4m passengers in 1987, a 14 per cent rise.

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New Issue
January 27, 1988

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Union Bank of Switzerland (Securities) Limited

U.S. \$100,000,000

Fortune Federal Savings and Loan Association

Collateralized Floating Rate Notes Due 1992

Interest Rate	7 3/4% per annum
Interest Period	27th January 1988 27th April 1988
Interest Amount per U.S. \$100,000 Note due 27th April 1988	U.S. \$1,815.84

Credit Suisse First Boston Limited
Agent Bank

U.S. \$300,000,000


Canadian Imperial Bank of Commerce

(A Canadian Chartered Bank)

Floating Rate Debenture Notes due 2084

Notice is hereby given that for the six months interest period from January 27, 1988 to July 27, 1988 the Debenture Notes will carry an interest rate of 7 3/4% per annum. The interest payable on the relevant interest payment date, July 27, 1988 against Coupon No. 6 will be U.S. \$379.17 and U.S. \$9,479.25 respectively for Debenture Notes in denominations of U.S. \$10,000 and U.S. \$250,000.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank
January 27, 1988



INTERNATIONAL CAPITAL MARKETS

Biggest Eurosterling issue yet for Sears

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

SEARS, THE UK retailing group, yesterday made the largest corporate Eurosterling issue yet, seen at \$200m. The issue will partly fund its \$477m acquisition of Freemans, the British mail order group. The five-year issue was led by Credit Suisse First Boston and was generally thought to be fairly priced at 10 1/8% with a 10th cent coupon. However, it ran into a choppy gilt-edged market at the day's progress. Sears, which is not connected to Sears, Roebuck, the US retailer, was seeking to fix just over 40 per cent of the cost of financing its acquisition of Freemans, which arose from a contested bid. Like most predators since the stock market crash, Sears had offered straight cash to Freemans shareholders. CSFB admitted to some nerves about launching such a large issue, especially as it was not provided to appraisal as yet. The launch price of 10 1/8% provided a yield over gilts of 78 basis points, net of fees, but sales were made within this spread throughout the day. Dealers said they had seen demand for the bonds from retail clients, especially on the Continent. Gilts and sterling were both easier during the day, with the former ending 1/4% lower. Against this background, the Sears bond slipped to 10 1/8% below issue price on brokers' screens at one stage, but finished bid 1/4% below, inside the 1% total fees. The Eurodollar sector had a

breather from the recent run of new issues and syndicate managers will have been glad of this when they saw the 8 1/2 per cent monthly rise in US durable goods and the subsequent weakness of the US Treasury market. However, recent issues appeared to be holding their spreads. The D-mark bond sector is beginning to show some signs of indigestion after its modest recovery in the past few days. Nevertheless, a large DM500m issue from the World Bank, initially syndicated as a club deal among a small group of banks, appeared to be absorbed well. This was particularly noticeable, since rumours had put the size of the issue much larger and had even suggested a 10-year maturity. As it turned out, the issue was for five years and was priced at 10 1/4% by Deutsche Bank with a 5 per cent coupon. It was bid at less than 1.1. Statoil's DM400m 10-year issue launched late on Monday, was meeting a stickier response. It was thought to be priced with a 6 1/2 per cent coupon and was quoted around less than 1 1/4% bid, a discount equal to the total fees. Eurobonds were steady, though some recent five-year issues lost 20 basis points after the World Bank's was launched. On the domestic market, institutional demand

produced price gains of about 20 basis points. In Series A, foreign bond issues priced at 10 1/4% for the Soviet Union's Bank for Foreign Economic Affairs ended its first day's business 1/2 points below its 10 1/4 issue price. The guildler market saw its first listed Eurobond, a FI 200m seven-year issue through Amsterdamsche Bank, priced at 10 1/4% with a 6 per cent coupon. The Finnish markka sector was topped with a FM300m five-year issue through Investment Bank, priced at par with a 9 1/2 per cent coupon by Kansallis-Osake-Pankki. It traded on its fees. In Canadian dollars, Ville de Montreal issued C\$76m of five-year 10 per cent bonds, priced at 10 1/4% by Societe Generale. It was priced to yield 70 basis points above Canadian Treasury issues and held to this, although its price moved outside the fees as the Canadian market weakened in line with the US. An \$850m five-year 13 per cent issue, priced at 10 1/4%, was launched by EBC-AMRO Bank for Westland-Utrecht Hypotheek Bank, guaranteed by its parent Nationale Nederlanden.

Europaper programme of \$300m for BET

By Clay Harris

BET, THE UK-based international services group, is to launch a \$300m Eurocommercial paper programme as part of a more than doubling of its worldwide commercial paper facilities. The company also said yesterday its ordinary shares would be listed on the Amsterdam bourse from Friday and begin trading in Frankfurt on February 5 and in Paris on February 12. The extension of commercial paper programmes to a worldwide total of \$500m and \$250m is intended not only to allow more flexibility in its borrowing but also to allow it to move swiftly to tie up potential acquisitions. Mr John Griffiths, finance director, said yesterday: "This would enable us to do the deal and then separately make the financial arrangements." The Eurocommercial paper facility, which was arranged by Merrill Lynch, will be BET's first venture into the Euromarkets since it redeemed a \$65m convertible Eurobond in September. In addition to Merrill Lynch, dealers are Goldman Sachs, Swiss Bank Corporation International and SG Warburg. BET is also to replace an existing \$150m sterling programme with a new one for \$250m, arranged as previously by Samuel Montagu, with Barclays de Zoete Wedd, Kleinwort Benson and Morgan Grenfell also as dealers. Its US facility will be increased from \$150m to \$200m. Merrill Lynch is sole dealer. Although BET has been using most of its existing facilities, Mr Griffiths said it does not signal an intention to increase overall borrowings but to allow the company to choose between them depending on market conditions. Mr Griffiths said the latest hour's listings follow BET's international debut in New York, Toronto and Montreal last year. No new shares will be issued. In addition to making future acquisitions easier, the listings are also seen as a way of raising BET's commercial profile in the countries concerned.

Hilary Barnes reports from Copenhagen on tighter borrowing rules Danish bank rights curbed

THE RIGHT of Danish banks and savings banks to meet their cash requirements through loans from the National (central) Bank was curbed by the National Bank yesterday. The move is a disciplinary measure, which follows the closure of two small banks in Copenhagen last year in circumstances which caused the Bank Inspectorate to allege irregularities of a criminal nature at both banks. Until now, banks have been able to borrow the equivalent of 40 per cent of their equity capital without providing collateral. From now on, the limit for unsecured loans will be 25 per cent of equity capital, while loans above this level and up to 40 per cent of equity capital will be given only against security.

The turbulence in Danish banking has now spread from Copenhagen to Jutland, where several banks have run into serious problems. Earlier this month one, Aarhus Disconto Bank, a small bank serving the city of Aarhus, had to be taken over by Aktivbanken, an East Jutland regional bank, to prevent further embarrassment. Aarhus Disconto's and Midtbank's financial difficulties have brought to a head the simmering problem of structural changes in Danish banking. The country, with a population of 5.1m, is served by about 80 commercial banks and 150 savings banks. There are half a dozen big banks with national networks, about 15 or 20 regional banks, typically with balance sheet totals of around DKr10bn-15bn, and a small army of town banks. It is more particularly the regional banks whose justification is being called into question. The Jutland regional banks, which include Aktivbanken, Midtbank, Sydbanken, Egnsbank Nord and Varde Bank, are battling to retain their independence. In the longer term they seem to face a choice between joining forces, probably with Jyske Bank, to form a large Jutland bank with equity capital and balance sheet totals rivaling the largest Copenhagen banks, or being picked off one-by-one by the Copenhagen Handelsbank, for example, has over 25 per cent

of the shares in Midtbank and 31 per cent in Aktivbank, while Danske Bank, the largest Danish bank, has a substantial holding in the Aarhus-based holding bank, which, however, is one of the half-dozen largest banks in Denmark with an extensive branch network covering a large part of the country. The shakeout in Danish banking has caused four banks (three in Copenhagen), as well as a couple of savings banks, to change hands since the beginning of December. Bigger provisions Behind these developments are two difficult years for the banks. In 1986, they were all badly hit by the effect of a decline in the value of their securities portfolios, the result of falling bond prices. In 1987, results so far suggest that operating earnings were satisfactory, but falling output in manufacturing, agriculture and fisheries, as well as a decline in private consumption, has faced the banks with the need to make considerable increases in provisions. In addition, the Bank Inspectorate, after its experiences last year with C&G Bank, is expecting banks which run into trouble to find a swift solution: in the form of a takeover by another bank; it is no longer prepared to nurse banks through a long, slow - and possibly fruitless - process of reconstruction.

templating in the near future. Several of the banks with loans outstanding to Jyske-Kompagniet allege that they made the loans after receiving assurances from Midtbank that the company was sound. At least one of these banks is now threatening to sue Midtbank. Aarhus Disconto's and Midtbank's financial difficulties have brought to a head the simmering problem of structural changes in Danish banking. The country, with a population of 5.1m, is served by about 80 commercial banks and 150 savings banks. There are half a dozen big banks with national networks, about 15 or 20 regional banks, typically with balance sheet totals of around DKr10bn-15bn, and a small army of town banks. It is more particularly the regional banks whose justification is being called into question. The Jutland regional banks, which include Aktivbanken, Midtbank, Sydbanken, Egnsbank Nord and Varde Bank, are battling to retain their independence. In the longer term they seem to face a choice between joining forces, probably with Jyske Bank, to form a large Jutland bank with equity capital and balance sheet totals rivaling the largest Copenhagen banks, or being picked off one-by-one by the Copenhagen Handelsbank, for example, has over 25 per cent

Japan to simplify debt offerings

The Japanese Ministry of Finance will introduce procedures in October to revitalize Japan's capital market by simplifying debt offerings. Kenter reports from Tokyo.

The revised procedures would include a shelf registration and reference system along the lines practised for several years in the US. The present cumbersome procedures have made it less attractive to issue corporate bonds in Japan than abroad. Eligibility standards for the proposed system are that a company must have been listed on a Japanese stock exchange for over three years, the market value of its shares must be over ¥100bn, and transactions in these shares over the previous year must exceed the same amount. Foreign companies which do not meet those requirements may apply, provided that the total market value of their shares exceeds ¥500bn.

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Hartford Insurance fires 400

BY NICK BUNKER

HARTFORD Insurance Group, one of the top 10 US property/casualty insurers, has made its clear evidence that the because harsh competition in the industry is cutting its premium income. Travelers Group, another big insurer based in Hartford, Connecticut, confirmed separately that it has launched a cost-cutting review partly prompted by similar pressures. The aim was not to produce an arbitrary redundancy target, but increased efficiency "could mean eliminating positions or jobs," said Mr Alan Fletcher, a Travelers Group executive. The news from the two companies represents one of the first indications that price cutting is being used by the industry in the wake of the \$191bn US property/casualty industry loss, starting to cause serious concern among big domestic insurance companies. It comes at a time when there is clear evidence that the three-year upturn in premium rates for commercial liability insurance risks that began in mid-1984 has ended and given way to price reductions. One fear among some securities analysts on both sides of the Atlantic is that the industry might be starting another bout of price competition in commercial lines similar to the long price war which led to huge losses for the industry in the mid-1980s. The Hartford laid off 236 employees in its property/casualty operational home office in Connecticut last week. It is also laying off a further 103 home office life insurance personnel, and 61 life employees in the

rest of the US. Mr Joe Fazzino, a Hartford executive, said the group had first imposed a hiring freeze in July 1987. Last week's cuts were "a way of being prepared for the future. The commercial lines market is getting a lot softer a lot faster than anybody expected." A Travelers, Mr Fletcher said there was "a great deal of competition right now," both in property/casualty and more broadly in financial services. Travelers hoped "to mitigate the impact of personnel reductions." There are few other public indications yet of how big property/casualty companies making lay-offs, but the signs are that they are increasingly conscious of the need to control staff numbers.

Emhart offers to negotiate with Stanadyne

By Our Financial Staff

EMHART, the US consumer and industrial product group, said in a letter to Stanadyne, the Connecticut plumbing products concern, that it is "open and willing to negotiate all aspects of" its \$58m bid, "including price." Earlier this month, Emhart launched a hostile \$40 a share bid for Stanadyne. Stanadyne rejected the offer and indicated it may sell some businesses or find an alternative buyer. Emhart said it would like to meet with Stanadyne executives. It also said it would like to have access to confidential information concerning Stanadyne that it said was being given to other potential bidders.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Table with columns for Country, Issuer, Maturity, Coupon, Yield, and Price. Includes sections for US DOLLAR STRAIGHTS, YEN STRAIGHTS, OTHER STRAIGHTS, FLAATING RATE NOTES, CONVERTIBLE BONDS, and SWISS FRANK STRAIGHTS.

Record bond trading in last quarter

By Our Euromarkets Editor

TRADING OF Eurobonds reached a record \$1,269bn during the last quarter of 1987, with the value of non-dollar bonds traded exceeding that of dollar bonds for the first time. The figures, compiled by the Association of International Bond Dealers, confirm the belief that secondary market turnover has been falling off dramatically and that liquidity has been dwindling. Eurobond issues launched in such a decline for dismissals of traders and sales staff. Turnover over the whole of 1987 rose to some \$4,666bn from \$3,570bn in 1986, according to the figures, which are derived from Barclays and Cede's Eurobond clearing houses. Of the 1987 volume, \$2,639bn was in dollar bonds, slightly below the \$2,574bn of 1986. The fourth-quarter result is particularly striking given that it included the Christmas holiday period. Many bonds virtually ceased trading well before the holiday. Moreover, new issuing activity in the fourth quarter was well below previous levels. Reflecting disillusion with the dollar, a record \$635bn worth of non-dollar bonds were traded, double the amount in the same quarter of 1986 and compared with \$540bn worth in the third quarter - though the most recent figures have been inflated by the dollar's fall. Dollar bond volume also rose from \$598bn in the third quarter to \$833bn, but was below the record \$729bn of the 1986 fourth quarter. The previous quarterly record for the whole market was \$1,245bn, in the second quarter of 1987.

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This announcement appears as a matter of record only. January, 1988

Confederation Life Insurance Company advertisement featuring a logo and the text '£35,000,000 Loan Facility'.

Schroders advertisement featuring a logo and the text '£20,000,000 Loan Facility'.

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MANAGEMENT



David Lascelles continues the story of a banking disaster

Midland storm-troopers fight to stem soaring losses

At the beginning of 1983 Midland Bank was in the unenviable position of owning only 67 per cent of Crocker National Bank...

Midland was getting a little anxious about the small measure of control it had over Crocker, and the lack of consultation over planning. So, in March 1983, Place brought his top management team over to London...

Michael Patriarca was the US official from the Comptroller of the Currency's office responsible for regulating Crocker. A lawyer by training, he is a burly man who does not pull his punches...

His examiners in San Francisco began their routine annual review of Crocker's accounts in the autumn of 1983 and picked their way through every loan over \$25m...

And that was just the domestic loans. The examiners had not at this point begun to assess the Latin American loans of US banks...

They all lived in constant fear of the news of Crocker's desperate plight leaking out

Back in England, Taylor and his senior executives were holding a weekend strategy session at Midland's management centre at Oxted in Surrey...

It took the management several days to recover from the shock. But if they were going to take a bath, it was Taylor who was to be the one to take a deep one...

Goldthorpe is another Yorkshire banker: a blunt-spoken man who makes a virtue of his obstinate streak...

Surprisingly, Crocker's records were in good order; the bank had a system for identifying bad loans called the Critical Assets Tracking System (CATS)...

Midland announced the dreadful news on December 18 and the loss would wipe out the bank's 1983 profits. It also announced its intention to take firmer control of Crocker...

Early in January, Place came over to London to explain to the Midland board how it could have been so badly misled...

It was certainly true that Wilcox treated his regulators with utter contempt, and constantly denounced them as ignorant busybodies...

utter contempt, and constantly denounced them as ignorant busybodies. "Screw 'em," was his usual comment...

Out in San Francisco, Harris and Goldthorpe were getting down to the Herculean task of cleaning Crocker out...

One internal memo ordered the international department to make \$50m of loans within 12 weeks to meet the lending targets...

By the end of March, Harris felt he had a sufficient grasp of the problem to state publicly that while it would be tempting fate to say that Crocker's troubles were over...

As Crocker's plight worsened in 1984, Taylor determined to find a man who could bring his prodigal California chief executive under control...

Cahouet, with his high domed forehead and big glasses, had a reputation as one of banking's great thinkers and doers...

When Cahouet took over, the Comptroller of the Currency's examiners ordered all Crocker directors to sign a thick document pledging them to comply with the banking regulations...

Using the prerogative of a new broom, Cahouet immediately ordered another round of bad debt provisions greater than any so far, \$148m...

But painful though this was, it did lend some credibility to Midland's accompanying statement that Crocker was finally on the mend...

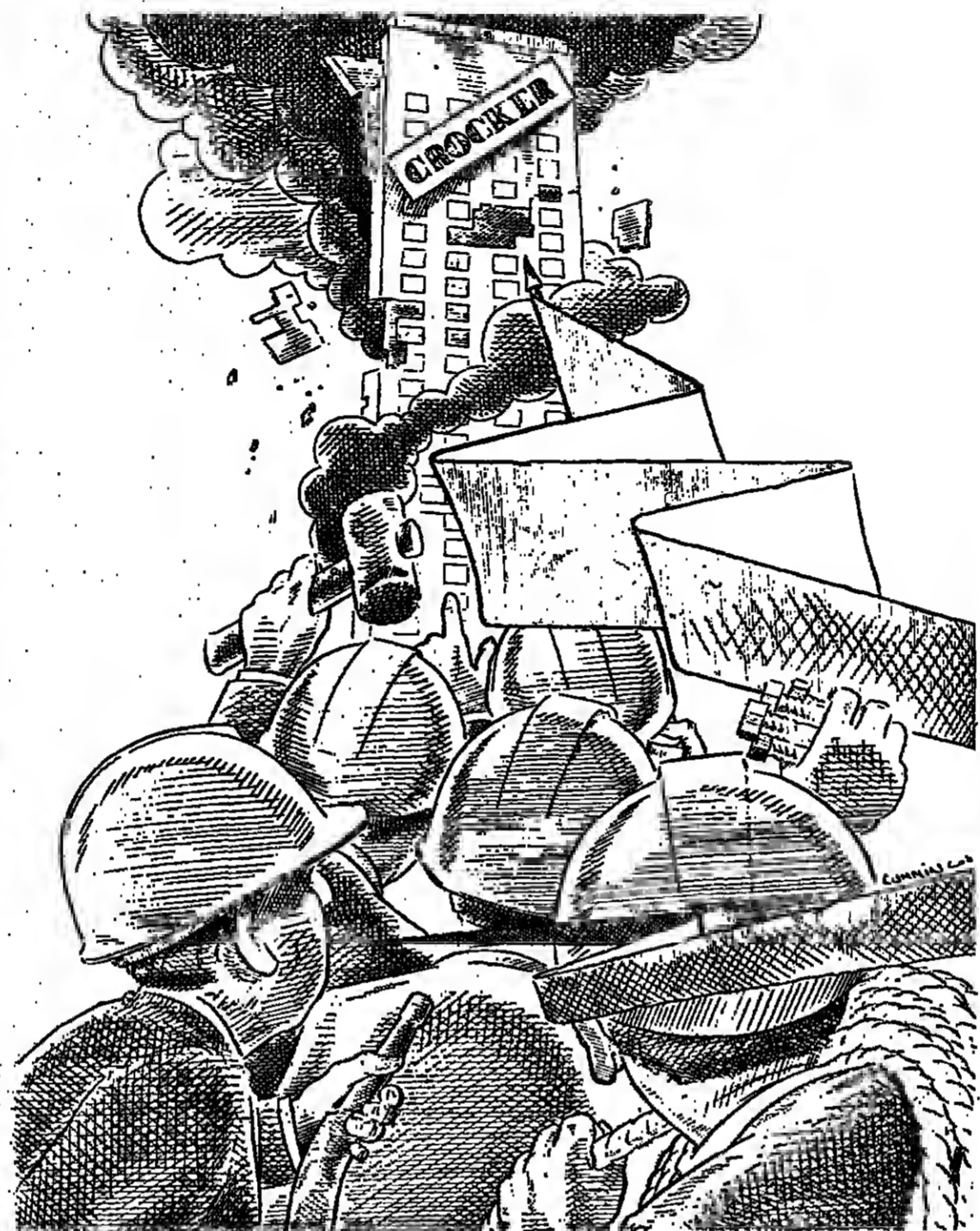
This marked the beginning of a painful period for Harris, who had volunteered for the job but now found himself with an unclear role...

Harris spent two lonely fire-fighting years in San Francisco under heavy emotional stress, and did not get a hoped-for top divisional job when he finally returned to Poultry...

The summer of 1984 was, outwardly, a period of calm and reconstruction. Tom Wilcox finally quit Crocker altogether...

But Goldthorpe, who had 20 storm-troopers in San Francisco, knew that the worst was far from over...

The stock market knew it too. Crocker's shares, for which Midland had paid an average price of \$67, hit an all-time low of \$17...



dividend - an unheard of step for a clearing bank...

Taylor and his colleagues were doing their best to hammer together a new strategy to deal with Crocker. They intended to slim the Midland group down...

Within the Midland ranks, morale began to droop again. Away from Poultry, out in the branches, staff were dazed by the constant stream of bad news...

One elderly manager came up to Taylor and said he could never understand why Midland had bought Crocker because "we're already the biggest bank in the world"...

In Poultry itself, Crocker was also taking a heavy toll. Top management were "like scared kittens"...

nervous tension and sense of helplessness. Midland had to draw on its deepest wells of strength to stay together...

Strains began to develop between Taylor and Sir Donald Barron, Midland's chairman. Taylor resented Barron's insistence that the board be more closely involved in decisions...

Although Malcolm Wilcox, the Midland executive who had initiated the Crocker acquisition, had now left the bank, he was also gnawed by anxiety...

The fear lurking at the back of everyone's mind was that Crocker could get into a downward spiral. Its losses would damage its position in the market...

Midland's board had two options: either to sell Crocker, or to buy out the minority shareholders and assume total control...

So it had to be the buy-out: Crocker's one virtue at that moment was that its shares were cheap. On July 13, Midland offered to buy in the 43 per cent minority for \$207m...

But if Midland expected the offer to be greeted with joy by the shell-shocked minority shareholders, it was in for a nasty surprise. The Crocker board reacted with deep suspicion...

The non-executive directors formed a negotiating committee under Jerome Hull, the former chairman of the Pacific Telephone Company...

Many shareholders also filed lawsuits against both Midland and Crocker, charging them with negligence, mismanagement, and a string of other corporate misdeeds...

One effect of the buy-out proposal was to place Crocker's board in an ambiguous position as regards their bank's loan problems...

The board's job was to extract from Midland the best possible buy-out terms, and certainly the message from Crocker became

more upbeat. Unfortunately, it also suited Midland's weary executives to hear good news, and Goldthorpe, who was flying out to California monthly, found it increasingly difficult to impress on his colleagues just how grave the situation still was...

Midland and Crocker had set up a committee of top executives and four task forces to try and forge a joint strategy. But even this initiative was unable to bring the two banks together...

Cahouet, the ambitious expansionist, saw his bank making a glorious resurrection to match the likes of Chase Manhattan and Citicorp with an international presence and a widely diversified business...

Poultry, on the other hand, wanted to confine Crocker to a regional role on the US west coast. Some people in Midland began to doubt whether Cahouet was the right man for the job...

But at the end of 1984, all dealings between Midland and Crocker were once again plunged into chaos by the eruption of loan problems on a scale that dwarfed all that had gone before...

In November, Mike Patriarca and his team from the Comptroller returned for their annual inspection. But this time, the regulatory climate had changed sharply for the worse...

Earlier in 1984, the near collapse of Continental Illinois, Chicago's biggest bank, had been a blistering event for the Comptroller, so the examiners were working with added zeal...

The time Patriarca wanted another massive \$326m in bad loan provisions, more than twice as much as Crocker had made when everyone thought it had hit rock bottom...

In early December he flew to London to see the Bank of England and the Midland management. Cahouet, who was angered by Patriarca's demands, leapt on a plane too but was diverted by fog to Frankfurt and missed the meeting altogether...

Talk of bank failure was only too vivid for the people in London who had just lived through the near-collapse of Johnson Matthey Bankers and the furious political row which followed. "We told Patriarca that our objectives were exactly the same as his," says Taylor...

The Christmas which followed was the most miserable the Midland management had ever spent. In a frantic string of meetings and transatlantic conference calls some at the bank-owned flat which Taylor occupied off Cannon Street in the City - Barron, Taylor, Julien and half a dozen others desperately hammered together a financial rescue for Crocker in time to meet Patriarca's deadline...

They all lived in constant fear of the news of Crocker's desperate plight leaking out, and triggering a flight of depositors which would not only bring down Crocker, but seriously damage Midland too...

By coincidence, the Investors Chronicle issue that Christmas contained a spoof account of the Governor of the Bank of England having his festive dinner ruined by a flunky announcing another bank collapse...

Over in Midland's treasury division, Ernst Brutsche, the executive in charge of funding the bank, mounted a stealthy exercise to gather in a huge store of cash for the Midland group so that it could stay afloat if disaster struck...

In one of the most remarkable funding operations that any bank has ever attempted, Brutsche transformed Midland's market position from borrowings of \$2bn to a cash holding of \$2bn in the

space of 30 days. Amazingly, this \$4bn turnaround went undetected in London's money markets. "We were careful not to buy money except on normal terms," he says.

Taylor also had a quiet word with his colleagues at the head of the other clearing banks to warn them that there might be trouble.

In the US, Cahouet made similar secret preparations with the large commercial banks for a safety net. Midland's plan, prepared on Cahouet's advice, was to inject another \$250m of capital into Crocker to plug up its reserves, and arrange a standby of a further \$125m as a precaution against a run on the bank...

But before all this could be stitched up, Midland had to be certain that it would succeed in buying out the Crocker minority because there was no point in taking on this huge responsibility for only 67 per cent of the equity.

Midland, which was being advised by Goldman Sachs of Wall Street, had already increased its offer to place the Hull committee, but it now cut the offer back again because of the latest losses. The Hull committee, believing that Midland would stand by Crocker whatever happened, held out to the bitter end.

Julien, who was negotiating with Hull and his advisers over the phone from London, grew furious and threatened to announce to the world that Crocker had turned down the offer of \$250m from Midland. "We'll be arguing over a corpse," he yelled. The tension had become almost unbearable.

On December 28, Cahouet called a meeting of his executive committee in San Francisco to confirm Crocker's unyielding line. Among those present was Thomas Jefferson Cunningham III, a rumbustious and outspoken former associate of Henry Kissinger who became Midland's special adviser in New York and a Crocker director.

Cunningham's anger with Cahouet and his board had been mounting for months, and he knew the time had come for a showdown. He claimed the floor, and launched a great tirade against Cahouet, Hull, the board and on the whole attitude of Crocker towards Midland.

Crocker was sick, he thundered. The Comptroller was right to order the provisions. Midland was not going to write blank cheques. It was absurd for Cahouet to think that Crocker

Crocker drew up a quasi-military plan to squash the slightest sign of trouble

could ever become a global bank. If they did not come to their senses, Crocker was finished. Later that day, the board agreed to top \$60m off the buy-out price. With only hours to go, the deal was done.

But though Midland could now buy out the minority and rescue Crocker, the task was not yet complete. Midland had yet to convince the financial markets that Crocker - and for that matter the whole Midland group - was safe.

Barron had been in constant touch with Robin Leigh-Pemberton, the Governor of the Bank of England, and other Midland executives were dealing with the Bank's supervision department headed by Brian Quinn. The Bank's assistant director in charge of supervision, Peter Cooke, had also been out to San Francisco to look at Crocker.

The Bank of England was, not surprisingly, in a state of anxiety about Midland. The JMB fiasco had badly shaken its confidence, but the prospect of one of Britain's biggest clearing banks in major difficulty was of a wholly different order.

There was little that the Bank could do except keep itself informed on the situation, encourage the Midland team to work at the solutions, and be ready to act quickly should the financial markets start to panic.

Some Midland executives were angry that the Bank did not try to persuade Patriarca to grant Midland more time to work its way out of its difficulties. Poultry was, after all, jeopardising a British clearing bank to save Crocker, but other troubled US banks, such as Bank of America, seemed to get much more generous deadlines to sort themselves out.

However, the Bank believed that Patriarca was doing the right thing, even if his style was a bit blunt. He had kept them fully informed, and they trusted him.

The announcement of the rescue package was scheduled for January 2. The previous day Crocker drew up a quasi-military plan to squash the slightest sign of trouble. Extra staff were put on the tills to ensure that no queues built up which might make people think there was a run on the bank. All branches were supplied with ample quantities of cash to meet withdrawals. And arrangements were made to monitor all the media, electronic and print, for any negative comment, so that it could be instantly rebutted in London. Midland braced itself for another harrowing day.

Part one of this feature appeared on Monday. The conclusion will be published on Friday.

MIDLAND/CROCKER THE TROUBLE-SHOOTERS



Frank Cahouet: the senior California banker hired by Midland to take charge of Crocker. He helped clean out the loan book and organise the rescue, but he clashed with Midland over Crocker's future role. He wanted it to re-emerge as a major US bank, but Midland was determined to confine it to California



Brian Goldthorpe made a virtue of his shrewdness as Midland's risk management man. He led Midland's "storm troopers" into Crocker and spent over a year trying to get its loan book under control. Warned Midland that they were in for a five year "work out" but his tough line earned him the reputation of a gloom merchant in London



Michael Julien: Midland group finance director. Had the job of holding Midland's sorely strained finances together, and managed to prevent it becoming the first clearer ever to report a loss. Played a key role in the negotiations to buy out the Crocker minority, but only reluctantly supported the decision to sell the bank to Wells Fargo



Thomas Jefferson Cunningham fit US banker and former associate of Henry Kissinger who became Midland's US adviser and representative on the Crocker board. His fierce attack on the Crocker directors broke the deadlock in the buy-out negotiations. Later initiated the secret sale negotiations with Wells Fargo

UK COMPANY NEWS

VODAFONE IS STAR PERFORMER WITH GROWTH EXPECTED TO ACCELERATE

Racal shows 73% profits boost

BY TERRY OODSWORTH

Racal Electronics is forecasting accelerating growth in its car telephone division after an exceptionally strong first half in which the cellular phone activities helped the group to a 73 per cent increase in pre-tax profits to £44.4m.

Vodafone, Racal's mobile telephone subsidiary, was the star performer in the six months to October, emerging as the company's leading activity in terms of pre-tax profits.

At an operating level, before interest payments and tax, the telecommunications division generated profits of £17.2m against just £97,000 in the same period of 1987, with sales rising to £62.2m from £31.1m. Vodafone comprises virtually all of the telecommunications interests.

Racal as a whole made pre-tax profits of £43.4m, compared to £26.1m the previous year. Turnover rose by 5.5 per cent from £638.5m to £680.8m. Operating profits jumped to £55.2m (£36.5m) and attributable profits to £29.7m (£12.6m). Earnings per share amounted to 4.50p, compared to 2.90p, and the company

announced a 35 per cent increase in its interim dividend to 1.085p per share.

Racal said yesterday that the telecommunications division's operating profits for the full year would be around £48m, an increase of £15m over its forecast last June.

The division's performance, the company added, continued to be outstanding. Since October, Vodafone has increased the rate of subscriber connections to its system to 1,600 a week from 1,400, net of defections.

Growth does not appear to have been affected by the October setback in the stock market, and a growing number of companies are placing block orders for their sales fleet. With a total of 140,000 subscribers, Vodafone claims to have a substantial lead over Cellnet, the British Telecom car phone subsidiary which is its only competitor in the business.

Next year, the company added, operating profits in the division should be over £75m, and it is planning to step up investment to £50m a year from £40m. Total expenditure on building up the car tele-

phone business so far amounts to £125m.

Operating profits in the non-telecommunications interests were virtually static for the six months at £37.4m. Although both the radio communications and marine and energy divisions swung back from losses into profits, the data communications and the defence, radar and avionics activities suffered setbacks.

Data communications profits fell to £11.2m from £15.7m, mainly because of start-up costs in Holland and Belgium and the currency translation effects of the weaker dollar. Defence radar and avionics profits dropped to \$5.8m from £12.7m, suffering from comparison with an unusually strong quarter in the previous year. Radio communications benefited from factory reorganisations, and achieved a small profit of 1.2m, while marine and energy made \$660,000. The security activities raised profits to £12.7m from £12.1m.

The pre-tax figures were struck after a net exceptional credit of £680,000, and taking account, among other items, of

redundancy costs of \$3.9m, and a credit from a pension fund surplus of \$5.5m.

Racal has reached agreement with Setem, the parent company for Ericsson's Italian operations, to acquire a 67.5 per cent shareholding in Applicativo Radio Elettroniche (ARE), writes David Lane in Milan.

Details regarding the value of the deal were not given by either party. The operation gives Racal control of an Italian leader in data communications. ARE is the principal supplier of modems to SIP, Italy's state telephone corporation. The company also manufactures radio bridges and paging systems.

ARE's turnover amounted to about £50m (£22.9m) last year, compared to £35m in 1986 when it made net profits of £1.1m. At the end of June the company's orderbook stood at £35m, against £19m at the end of the first half of 1987.

ARE has two plants in northern Italy, at Castellana and Busto Arsizio, and a third, at Carso, near Rome. The company employs 290 people. No



Sir Ernest Harrison
Racal chairman

changes are foreseen in the management and the group of founding shareholders will maintain its 28.5 per cent stake. The Italian company has long-standing technical and commercial agreements with Racal in the Italian market. By becoming part of the British group, ARE expects to develop its international activities and raise its presence in the field of data transmission systems.

The company's interim controlling stake in ARE reflects Ericsson's decision to concentrate on networks for voice, data and image communications and to move away from peripheral equipment.

Manpower contributes £9m to £29m result at Blue Arrow

BY PHILIP COGGAN

Blue Arrow, the employment agency, yesterday boomed back from Monday's announcement of Mr Christopher's resignation with preliminary pre-tax profits well ahead of forecasts at £29m.

The figures include a \$9m contribution from the US company, Manpower, which Blue Arrow acquired for £1.32m (£734m) and which included for just seven weeks of the financial year. The early indications are that Manpower's profits this year are running more than 90 per cent higher than last year's level.

Mr Castelman, the former chief executive of Hill Samuel, was appointed as chief executive and managing director, following the Manpower acquisition. But the decision of Manpower's management, led by Mr Mitchell Fromstein, to stay on and Mr Tony Berry's determination to remain in charge as executive chairman, caused Mr Castelman's role to be more restricted than he would have liked. Blue Arrow will not be seeking a replacement as chief executive.

Mr Norman Tabbitt, former chairman of the Conservative Party, was appointed a non-executive director last autumn.

Blue Arrow's shares have fallen by 44 per cent in nominal terms and by 26 per cent against the FT-Actuaries All Share Index since the stock market crash. Mr Berry said yesterday that he felt the shares were marked down because the company's business, post-Manpower, was seen as dollar-related. But he pointed out that this year only about 36 per cent of revenues would come from the US.

Mr Berry estimated that

organic growth in the core Blue Arrow group had been running at 60 per cent, compared with growth in the worldwide employment services market of about 20 per cent per year.

Blue Arrow had bought several US employment businesses, before the Manpower acquisition, and Mr Berry said these US companies had not performed as well as they might have. This was due partly to the management time devoted to the Manpower bid, and he expected the US operations to come through strongly this year.

Mr Berry also said that now the group had become the world's largest employment agency, it was likely to review the future of other divisions. The non-employment divisions contributed about £1.25m to pre-tax profits last year.

Manpower was acquired via a £57m five-for-two rights issue - the UK's biggest ever - but the company is still recommending a more than doubled dividend cover of 8.5 times, but the company expects to bring cover down to four or five times over the next few years.

Pre-tax profits for 1986/87 were over three times the previous year's £3.72m, on turnover of £406.7m (£371.1m). The slight fall in net margins was caused by the addition of Manpower, which operates on lower margins than the rest of the group. Adjusted earnings per share were 67 per cent higher at 6.6p (4.2p).



Norman Tabbitt
Blue Arrow non-executive director

until the company asked it to accept \$857m of stock just before the crash. Since then, the market has acted like a litmus test and judging by the reaction to these excellent results - a rise of just 4p to 87p - Cupid will have his work cut out to restore the happy relationship. The case for the shares is persuasive: Manpower shares is surging ahead this year and should gradually increase its margins, the group's percentage of dollar earnings is much lower than commonly perceived and the employment services market is expanding at 20 per cent per annum. On estimates of £100m profits for this year, including over £70m from Manpower, the shares are on a prospective P/E of 11, nothing like the stratospheric rating of old. Nevertheless, the upside must be limited. Those investors who bought the shares at 166p are unlikely to be eager for more and may well want to sell on any strength.

comment
The stock market had an intense affair with Blue Arrow

Flogas result down 19% to £1.1m

As warned at its AGM last September pre-tax profits fell at Flogas. Irish-registered importer and distributor of liquefied petroleum gas, in the six months to end-November 1987. They came in 19 per cent lower at £1.1m (\$1m sterling) from £1.36m. Turnover, however, increased 23 per cent from \$7.51m to \$9.37m, mainly achieved in the UK market.

The company said the profits fall reflected lower margins compared with the same period last time.

Earnings per share in the period under review fell to 5.35p (6.71p). The interim dividend is being raised to 2.19p (1.91p).

Flogas is aiming to increase profits for the whole year, but said the result would depend partly on the average temperature over the rest of the winter. The marine terminal in Cork became fully operational this month and this would strengthen the company's position in southern Ireland.

Midland HK arm for Elders

BY DAVID LASCELLES, BANKING EDITOR

Midland Bank is to sell its Hong Kong-based securities subsidiary Greenwell Montagu (Far East) to Elders Finance Group as part of its plan to withdraw from the institutional equity business.

The sale price is not being disclosed, but is understood to be close to the unit's net asset value. Midland said the deal would save on closure costs and preserve the jobs of the 40

employees.

Elders, one of Australia's largest merchant banks, said it intends to develop the company as a substantial research-driven stockbroker. The name of Greenwell Montagu (Far East) will be temporarily kept for legal purposes. Elders will retain most of the staff, and the remainder will be absorbed by Midland.

Last week, Midland

announced its intention to close or sell its London and Hong Kong equity business in the light of its new relationship with the Hongkong and Shanghai Bank. The London business has been offered for sale, but though there have been several inquiries there have, as yet, been no firm offers. Midland has said it will shut the business down by the end of the month if it cannot be sold.

Westminster takeover plan called off

By Philip Coggan

The reverse takeover of Westminster and Country Properties by Residential Holdings, a private property company has been called off - the latest in a series of such deals to be called off since the crash.

It had been planned for Westminster to acquire Residential for 5m shares, giving the Residential vendors a majority stake. But it was announced yesterday that the deal had been terminated and Mr Michael Rickards, Westminster's chief executive, refused to elaborate beyond saying that there were "a number of reasons" for the abandonment of the deal.

The company's interim results, published yesterday, show a return to pre-tax profits of £187,000 in the six months to October 31, compared with a loss of £292,000 in the same period last year. This reflects a substantially increased level of activity and the completion of a number of profitable developments, the company said.

Westminster's shares returned from suspension yesterday and closed 5p down at 145p.

Caparo cuts jobs at Fidelity offshoot

BY ANDREW HILL

Caparo Industries, the engineering and consumer electronics group headed by Mr Swraj Paul, yesterday announced a reduction in the manufacturing activities of Fidelity, its loss-making electronics subsidiary.

The workforce of 450 at the London factory will be reduced by 100 at first with further redundancies as production is reduced during 1988. The company is still considering whether to close down the factory altogether.

Provision for restructuring

costs and related losses will appear as an extraordinary item in Caparo's figures to December.

The group believes that Fidelity, which makes low cost televisions, can capitalise on its brand name and UK market presence by increasing the supply of products from overseas as UK manufacturing is reduced. The elimination of manufacturing losses should ensure that there is no adverse effect on Caparo's profits for 1988.

However, the group would still consider selling Fidelity if it received an offer at the right price.

Caparo bought Fidelity for £14m in 1984 and has had problems with it ever since. For the half-year to June the group's electronics division lost £1.1m.

Fidelity's current headaches stem from the decline of the dollar and the consequent difficulty of using a UK manufacturing base to compete with Far East imports.

Reed acquires book publisher

Reed International, through its Butterworth subsidiary, has acquired the book publishing activity of Architectural Press, a subsidiary of United Trade Press (Holdings).

Worldwide sales of the Architectural Press book list were £1m in 1987.

Reed International said that the acquisition's specialisations would fit in well with existing Butterworth titles.

Howden rights follows purchase of Davidson

BY CLAY HARRIS

Howden Group, the Glasgow-based engineering company, is to buy Davidson, one of the world's leading makers of custom-built fans, from the South African Abercorn group for \$9.5m in cash. It also launched a one-for-three rights issue to raise £14.5m.

Davidson's Belfast operation accounted for nearly one-third of the company's £57.4m turnover in the year to June 30 1987. Howden said yesterday it intended to reduce costs by divesting manufacturing on a product-by-product basis.

and Glasgow.

The acquisition would give Howden a stronger platform to compete for UK power-generation orders and bring its manufacturing facilities in the US and France.

Howden estimated yesterday that Davidson had adjusted net assets of £17m, compared with the \$9.5m purchase price.

This, plus reduction in borrowing as a result of the rights issue, would strengthen the group's balance sheet. It would have net tangible assets of \$60m.

Earlier this month, Howden reported interim pre-tax profits of \$3.6m, against a comparable £1.51m. At the attributable level, Howden lost £1.28m in 1986-87, largely as a result of problems at its electricity-generating wind park in California.

Davidson also had problems in the US last year, where a subsidiary's failure to cut overheads to reflect lower turnover resulted in a fall in group pre-tax profit from \$2.84m to \$1.67m. American Davidson is continuing to lose money, Howden said, "but measures are in hand to remedy the position."

Howden shares yesterday closed 5p lower at 93p, compared with the rights price of 74p.

PWS in £3m US acquisition

BY NICK BUNKER

NORTH AMERICAN dentists have provided PWS Holdings, the London insurance broker, with a chance to fill a cavity in its US broking operations.

PWS plans to pay initially about £3m to take over San Francisco-based Glenside Byrnes & Associates, a 100-employee group which arranges liability insurance programmes for US hospitals, doctors and nurses.

GNA's latest venture is an involvement with National Dental Mutual Insurance Company, one of a number of so-called "risk retention groups" set up recently by American health care professions because their poor claims experience leaves traditional insurance companies unwilling to offer them cover.

GNA acts as a manager and consultant for National Dental. But GNA also uses the London insurance market, including Lloyd's, as a source of reinsurance for this and similar liability insurance programmes.

Its pre-tax profits grew from \$445,000 (\$243,000) in 1986 to \$535,000 in 1987. But the group expects to announce a \$2m pre-tax loss for 1987 on turnover of \$8m, after writing off the starting-up costs of National Dental and other

smaller ventures.

The British company will meet the initial \$3m purchase price with \$500,000 (£280,000) in cash and an issue of 1,385m shares. Up to a further 2,844m shares may be issued to GNA's executives if they achieve profit targets.

News of the deal was welcomed with a 6p rise in PWS's share price, which closed at 205p.

It comes at a time when PWS

is under pressure from a weakening dollar, which is cutting the group's US earnings, coupled with falling insurance premium rates which hit its commission income.

PWS said GNA's purchase would be of "major strategic importance" because health care insurance and risk retention groups were a growing field. It would "fit well" with PWS's existing US liability insurance business.

ACT NOW BEFORE THE ACT AXES YOU.

The Financial Services Act operates a strict guillotine for anyone running an investment business. The first deadline is February 27, 1988. Get your application in by then, and you're guaranteed interim authorisation.

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Swiss Bank Corporation

Legal Adviser to National Westminster Bank PLC
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January 1988

Blue Circle lifts Birmid bid 25%

BY MICHAEL SMITH

Blue Circle, cement group, yesterday increased its bid for Birmid Cement by more than 25 per cent to £275m and raised its stake in the home products group to 23.6 per cent. Birmid, which has been strongly contesting the cash bid, advised shareholders yesterday evening not to sell in the market. By then Blue Circle had picked up 10.2m shares to add to the 6.7m it and its associates already owned. Birmid's shares rose 18p to 368p, against a revised offer from Blue Circle of 390p. Last night the company, which makes lawnmowers, gas cookers and boilers, was locked in a series of discussions with its advisors, including S G War-

burg, the merchant bank it had no comment other than its advice to shareholders not to sell.

Blue Circle, which is advised by merchant bank Berings, said its offer, which will close on Saturday February 13, was final. It will not be increased or extended unless an alternative bidder emerges.

Significantly, the company reserved the right to add a partial share alternative. Since Blue Circle first launched its bid for Birmid, its shares have risen from about 330p to last night's unchanged 451p, largely as a result of an unsuccess-ful raid on its shares just before Christmas by an

unnamed predator.

Mr David Poole, Blue Circle managing director, said last night that the "generous" revised offer gave Birmid shareholders a 90p increase in value when compared with 200p before the bid was launched and a 32 per cent premium to the price before last October's stock market crash.

The company also said that the interest on the cash Birmid shareholders would receive would be more than three times the gross income which would accrue on a Birmid share. The comparable figures, both untaxed, would be 35.38p and 10.62p, it said.

Mr Poole said that putting

together Birmid with Armitage Shanks, Blue Circle's bathroom furniture subsidiary, would create a major force in the £4bn home products market.

The two companies could introduce new products, improve margins and gain access to each other's specifiers and distribution channels. In distribution, Armitage had strong links with builders' merchants whereas Birmid had strengths in DIY stores.

Birmid, which earlier this year rebuffed a merger approach from Hepworth Ceramic, has always main- tained that there is little industrial logic in Blue Circle taking it over.

Ex-Boesky aide seeks control of Cambrian

By Nikki Tait

MR LANCE Lessman, a former associate of Mr Ivan Boesky, the convicted American insider trader, said yesterday that he would be interested in taking on management of Cambrian & General Securities and in that event, would probably be willing to increase his stake. Cambrian was previously the UK trust vehicle for Mr Boesky, for whom Mr Lessman worked for seven years. "I used to focus on Cambrian on a daily basis," commented Mr Lessman in New York.

On Monday, Mr Lessman declared a 5.04 per cent stake in the trust. He stressed that his intentions towards Cambrian were "entirely amicable" and that his proposal for a management change was only viable "to the extent that I can win board approval."

Management of the trust has already been transferred to Essex Investment Management, a Boston company in the wake of the Boesky revelations. Should Mr Lessman's proposal for a management change not prove acceptable, he suggested that he would "probably be inclined to ride with my existing stake."

Last night, Warburgs, Cambrian's advisers, said that Mr Lessman would have to demonstrate that he could improve on the performance, and that "class four" considerations would have to be borne in mind.

Sale of Dee stores could raise £750m says B&D

By Nikki Tait

Barker & Dobson, sweets and supermarkets group which is waging a £22m bid battle for the substantially larger Dee Corporation, yesterday estimated that it would raise around £750m from the sale of Dee's 76 superstores.

The sale of Dee's superstores plays a critical part in the whole structure of the bid. To finance the cash element of the offer and to provide additional working capital, B&D has arranged a £1.5bn loan facility - which is to be repaid over a three year period. Money raised from the sale of Dee's superstores will provide a major part of those repayments.

The £750m estimate is a gross figure for the whole portfolio, including development sites. B&D says it has been arrived at by estimating the sale proceeds for each store, and equates to approximately £200 per square foot spread across the portfolio as a whole.

B&D goes on to compare this with the £287 per sq ft paid by Tesco for Yorkshire chain Hillards last year, and the £339

per sq ft at which Argyl acquired Safeway.

yesterday, Mr John Fletcher, B&D's chairman, said that the 76-strong portfolio breaks down into some 20 highly desirable stores, around 30 with average appeal, and a further 20-odd which are less attractive. This final category, he suggested, could well be sold to non-food retailers - and might be expected to raise £70m-£80m. He reiterated B&D's belief that the disposals would not involve monopolies queries. "Our research shows that in each of the ten UK TV regions there are at least three, and in some cases as many as five, major retailers which could acquire the stores in that region without their resulting market share reaching a level of concern to the OFT."

B&D declines to say what it might receive after paying capital gains tax - on the grounds that such a calculation would have to be based on assumptions at this stage. However, the

gross figure of £750m is very much at the upper end of City expectations - £500m to £700m has been the usual range - and yesterday some analysts suggest that comparisons with the likes of Tesco/Hillards may be unfair in that bids for an entire group offer certain immediate cost-savings.

Dee also described the £750m as "an ambitious target". It continues to argue that the structure of the deal is extremely tight. "What happens if they don't get £750m where does that leave the company?", questions the grocery group.

Elsewhere in its latest document, Barker & Dobson launches a pre-emptive attack on the expected profit forecast this week from Dee, suggesting that its target would need to report at least £211m before tax to show 10 per cent growth. "Dee should also tell you whether its forecast includes any release of provisions from earlier years and give details of extraordinary items," says the bidder.

DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Company dividend	Total for year	Total last year
AGB Research	3	Apr 6	2.75	1.61	7.5
Babygro	1.61			0.8	0.4
Blue Arrow	0.67		0.28	1.5	8.8
Brit Bloodstock	2.5		1.5	4	
Finlan	27		1.91	2.5	5.31
Flogas	2.19		1.2	1.85	1.65
Johnson Fry	15.7		0.57	2.57	2.57
Murray Smaller	1.36	Apr 25	1.1	3	
Osprey Comm	1		0.81	2.75	10.55
Press Tools	11	Feb 29	1.5	1.5	1.5
Racal	1.007	Mar 7	0.81	3.3	
Rush & Tomkins	3.25	Apr 29	2.75	1.5	1.5
Shelton (W&A)	0.5		1.5	1.5	1.5
W&C Props	1.5		1.5	1.5	1.5
Wood (John D)	1.57	Apr 4	1.57	1.57	1.57

Dividends shown prices per share net except where otherwise stated. *Equivalent after allowing for scrip issues. †On capital increased by rights and/or acquisition issues. ‡US\$ stock. †Unquoted stock. ‡Third market. †Special dividend of 1.25p already paid. ‡Forecast final; interim announced November 29. † Full listing July 1987.

Strong markets boost Johnson Fry by 77%

By Heather Farmbrough

STRONG FINANCIAL markets boosted profits at Johnson Fry, BES sponsor and financial advisor, which announced yesterday its first full year results since it was quoted on the USM. Pre-tax profits for the year to October 31 rose by 75.8 per cent to £1.22m (891,034).

Earnings rose by 44 per cent to 8.26p over the same period, reflecting acquisition costs over the year. Acquired companies contributed 13 per cent of earnings growth. The final dividend is 1.6p, making a total for the year of 8.26p (6.72p).

BES sponsorship, the com-

pany's original business, accounted for 49 per cent of the group's activities. Corporate finance contributed 16.5 per cent of the total, while other financial services were responsible for 29 per cent. General insurance and leasing accounted for 5.5 per cent.

"So far, BES business has been better than last year," said Mr Charles Fry. "But our unit trust selling business has been badly affected by the stock market crash." He added that he expected this to be offset to some extent by the growth in pensions business.

Corton Beach foods buy

Corton Beach is acquiring Midlands based Norpak Foods in a cash and shares deal valued at £1.25m.

Norpak is based in Staffordshire and is a distributor of chilled and frozen foods. Sales exceeded £19m for the year

BOARD MEETINGS

The following companies have notified dates of board meetings in the period February 1 to February 29. Dates are usually held for the purpose of financial statements. Dates of meetings are not available as to whether the directors are holders of shares and the sub-divisions shown below are based mainly on last year's financials.

Company	Date
Finke - Clarford Engineering, Hay and Co. Ltd.	Feb 1
Hodgson, P.E. Kemp, Newman Tools	Feb 1
Future Dates	
Balby (C&I)	Feb 4
British Crown Ship	Feb 3
Rapier	Feb 29
Crown Die Cast	Feb 29
Elect	Feb 29
Howard Holdings	Feb 2
Shonson	Feb 2
Plas	Feb 2
Dubair International	Jan 29

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MANAGEMENT EDUCATION AND TRAINING
Publication date 22 March 1988
Copy Date 8 March 1988

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- How can "strategic" thinking be improved?
- How are leaders developed and teams built?

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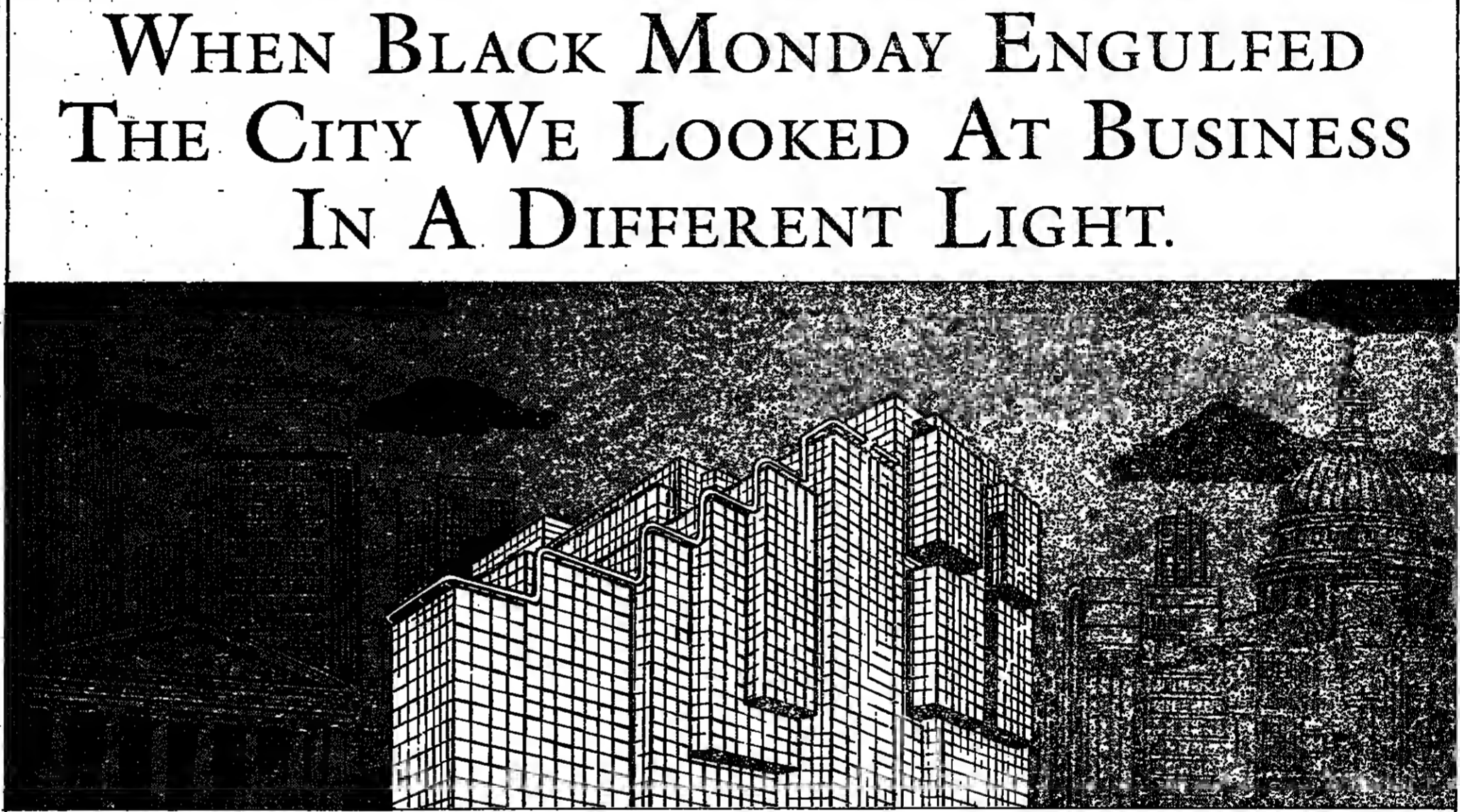
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29th January 1988



When markets crashed in the autumn of last year, for many companies and their advisers the outlook was gloomy.

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هذا من أجل

Core performance keeps AGB 11% ahead

BY ANDREW HILL

AGB Research, the UK's largest market research company, yesterday announced a 10.7 per cent increase in pre-tax profits from £4.41m to £4.88m for the six months to end-October.

Profits were held back by fluctuating currency rates in the US and Far East. The group continued to fulfil its long-term aim of a 20 per cent growth rate with earnings per share up to 6.29p (5.23p), but on a tax rate reduced from nearly 40 per cent to 33.3 per cent.

Mr John Napier, chief executive, said he was satisfied with the performance of the company's core market research business in the UK, television and media and consumer retail research. He was

more disappointed by figures from ad-hoc market research - single surveys commissioned by clients.

Specialist publications and market services - the organisation of trade exhibitions, for example - showed good growth.

Some of AGB's core interests are still unrepresented in the 23 countries where it has subsidiaries. The group hopes to fill in these gaps with acquisitions and organic growth.

Overseas, AGB's recovery in the Australian market was not as strong as expected and the US market remained relatively depressed. The development of a consumer panel service in Italy and the restructuring of

existing operations in Holland and Germany restrained European profit growth.

Mr Napier said AGB's strategic ambitions lay in Europe, where the market research business was changing fast.

He said the group was also eager to expand in the US where its Peoplemeter - a device for monitoring TV audience response - and a similar model developed by rival market researcher A.C. Nielsen are in a fierce battle for the favours of advertising agencies and TV companies.

Turnover for the half-year was up to £83.6m from £59m in the corresponding period. The board has declared an interim dividend of 3p (2.75p). AGB shares closed down 5p at 185p.

comment

Mr John Napier is less bullish about AGB's results for the full year than he used to be. This may be due partly to Black Monday - straddled by the group's financial year - and partly to the first half figures. Although they show continued profits growth, much of the 20 per cent increase in earnings can be attributed to a substantial cut in the tax rate and the growing UK publishing and market services division. This accounted for only about a fifth of the company's turnover in 1985-86 but overshadowed the more important market research activities in the first half of 1987-88. Given that AGB has a near-monopoly on

certain UK market research this is somewhat worrying and analysts have downgraded their forecasts for the full year accordingly. On the other hand, the company remains cash-rich following September's issue of preference shares which raised about £23.5m and Mr Napier speaks of "two elephants" the company has got to hit - expansion in the US and development in Europe. Shareholder confidence may rest on the success or otherwise of the Peoplemeter, although there will be no impact on results until 1989/90. For the time being pre-tax profit of about £12.5m for the full year put the shares on a prospective p/e of around 14.

Rush & Tomkins rises 70% to £2.5m

Rush & Tomkins Group, property development company, revealed a 70 per cent expansion to £2.53m in pre-tax profits for the half-year to September 30 1987.

The directors said that the policy of concentrating on being a contractor developer had been successfully implemented, with an increasingly strong forward workload.

Turnover rose 33 per cent from £73.97m to £98.65m. Tax accounted for £220,000 (£220,000), leaving earnings per share of 10.1p against 9.9p last time. The interim dividend is lifted to 3.25p (2.75p).

The directors added that the conversion of completed developments in the US into realised profits continued successfully. Further opportunities have been reviewed. Overseas contracts were nearing completion in line with expectations, they added.

Titon to go ahead with USM placing valued at £8.8m

Titon, ventilator and window fastening supplier, is going ahead with a placing on the Unlisted Securities Market, three months after its launch was postponed due to uncertain stock market conditions.

The historic p/e of 12.7 announced yesterday is some three points lower than Titon might have commanded in November.

The company is placing 2.5m shares at 80p, or 23 per cent of the shares in issue. The placing price capitalises the company at £8.8m. Of the 2.5m shares being placed, 1.3m new shares are being issued by the company to raise approximately £840,000. The rest of the shares are being sold by the directors.

Titon was founded in 1972 by John Anderson, the chairman, and his father, Peter. The business concentrates initially on supplying the UK building and construction trade with trickle-down frames to control air-flow to and from buildings. Mr Anderson estimates Titon has 4

to 5 per cent of the UK market. Titon now manufactures its products and also sells window hinges and door locking systems. It sells through joiners and markets its products to architects and local authorities. Five per cent of its sales go to Europe and the US.

The company is seeking a quotation to enable the directors to take some money out and to finance expansion. "We believe there is a substantial market place abroad," said Mr Anderson. "We also want to build up our own product base although we would look at acquisitions in complementary areas."

In the year to September 30 1987, Titon made pre-tax profits of £844,000 (£783,000) on turnover of £5.1m (£4.7m). A notional dividend for the year of 2.35p would have been paid if the company had been quoted, offering a 4 per cent yield at the placing price.

Dealings will start on February 2. Brokers to the issue are Capel Cure Myers.

John Wood hits £1m at six months

BENEFITING from operating in a strong market John D. Wood & Co, London-based estate agent, reported interim pre-tax profits up by 42 per cent. And the directors said the prospects for the full year are bright.

For the six months to the end of October 1987 pre-tax profits were £1.02m, against a pre-tax profit of £715,000. Turnover was £2.31m (£2.64m).

Earnings per 10p share came out 8.4p (8.9p) and the company is paying its first interim dividend of 1.5p since coming to the USM last year. A special dividend of 1.25p was paid in October.

Directors added that the number of instructions had been higher than expected.

Stake taken in Downiebrae

European Fire Protection Holdings, a private company owned by Mr Jacques Gastin Murray, has conditionally bought a 14.9 per cent stake in Downiebrae Holdings, a "shell" engineering group, and plans to launch a tender offer for a further 15 per cent. EFF is the majority shareholder in Nn-Swift Industries, the fire protection equipment company which has a London listing.

The 14.9 per cent is being acquired, subject to shareholder approval, from a group of investors, most of whom injected cash into Downiebrae last summer, through a share subscription.

The group includes three Downiebrae directors, Mr W.G. Peacock, the chairman, Mr R.M. Newman and Mr P.N. Beswick.

If shareholders approve the sale, at a price of 50p a share, EFF will then make a tender offer for a further 15 per cent at the same price. The selling shareholders have undertaken to accept the tender for their remaining 44 per cent stake in the group, so it will be assured of success.

Last summer's share subscription was at a price of 32p a share and the company simultane-

ously raised £750,000 through a rights issue at the same price. Downiebrae's shares closed last night at 85p, up 2p on the day.

Downiebrae's main attraction to EFF would appear to be the cash it raised in last summer's share issue and the acquisition opportunities provided by its listing.

If the deal goes ahead, Mr Murray and Mr Andre Chudnoff, a management consultant, will join the board and Mr Newman and Mr Beswick will resign from it. Mr Peacock will remain as chairman.

Finlan sees growth by acquisition

THE DIRECTORS of Finlan Group yesterday reported a small advance in half-time profits and at the same time said they believed the company was well placed to take advantage of growth opportunities both internally and by acquisition.

A number of acquisition projects were in the pipeline and the coming financial year was expected to be a successful period for the group.

Turnover for the half year to end-September 1987 pushed ahead from £10.08m to £12.64m and profits from £510,254 to £624,058 pre-tax. Comparisons have been restated to include the results of Witting Brothers on a merger accounting basis.

Earnings worked through at 2.17p (2.84p) or at 2.04p (2.81p) on a fully diluted basis. The interim dividend is lifted from 1.8p to 2p per 10p share.

The negotiations announced late last year for the acquisition of central London properties from WCB are at an advanced stage. The purchase would represent a major extension of Finlan's commercial property development activities. It has other interests in construction services and building materials handling.

comment

Rush is never inclined to give too much away but the little information it was allowing out yesterday indicated that it is moving in the right direction. Earnings growth was nothing to shout about but this is partly because the company is making a more realistic prediction about the likely full-year tax return. And profits are beginning to show the benefits of moving away from property investment to concentrate on contracting/developing. In the UK the value of contracts on which it is working in joint ventures has risen from £300m at the year-end to £500m and on average it has about 40 per cent of the workload. Rush reckons to have another two years of work at least on the Gateshead Metro Centre but a scheme to build a similar complex in Birmingham has recently fallen through. If the company makes about £5m this year and the tax charge is around 36 per cent, then the shares, up 20p to 245p, are trading on a p/e of about 10. That seems enough for the moment.

Babygro 64% ahead

Babygro, five-based manufacturer of babywear and childrenswear, has issued its first earnings since its full listing last July.

These show that taxable profits increased by 64 per cent from £615,000 to £1,011m in the year to November 1 1987.

The directors said the first two months of the current financial year had shown a sales increase ahead of budget, and while that was encouraging, they were conscious of the continued uncertainty in retail trading.

The benefits of the capital expenditure programme during 1987, plus sustained investment

in design and product investment should, the directors said, maximise group opportunities.

The group had made significant progress in developing licensing agreements associated with its brands.

Agreements had been completed in the areas of soft toys, educational toys, hardware, hosiery, footwear and nursery textiles.

Group turnover for the year under review was up from £12.64m to £17.82m. There was a tax charge of £251,000, compared with £92,000.

Stated earnings per share improved from 6.8p to 8.5p fully diluted. The initial dividend is 1.606p net.

Murray Smaller asset downturn

Murray Smaller Markets Trust saw its net asset value per ordinary and B ordinary shares decrease to 152.1p on November 30 1987, compared with a corresponding 208.7p.

In the half year to end-November earnings fell to 1.26p (1.31p) and a final dividend of 1.3p is forecast, making 1.85p (1.65p) for the year.

Pre-tax revenue dipped slightly, to £1.04m from £1.11m and tax amounted to £335,611 (£375,801).

The directors said that over one third of the portfolio was invested in the Pacific Basin, where the October crash badly hit equity prices.

Cardwell and Mr Richard Culey

Cardwell and Mr Richard Culey, were under pressure to find productive use for a £1m cash hoard.

The company, founded in the early 1970s, receives a commission on royalties paid by a manufacturer or provider of a service for the commercial use of characters. It also designs packaging and brochures using the characters and hires out promotional costumes.

Press directors yesterday successfully resisted the temptation to announce the acquisition dressed up as Roland Rat, according to Mr David Williams, development director.

Copyright and Press were brought together by Mr Williams, in his other role, as head of mergers and acquisitions at Johnson Fry Corporate Finance.

Roland Rat Press ganged in a £5m takeover

BY CLAY HARRIS

MR GREGORY Hutchings proved yesterday he had a place in his heart, and his portfolio, for the "World Wildlife Fund's" panache, Elek, Fender, My Little Pony, and Roland Rat, as well as Smith & Wesson handguns.

Press Tools, the small engineering group which engages Mr Hutchings' attention when he is not absorbing Elek, Fender, My Little Pony, and Roland Rat, as well as Smith & Wesson handguns.

Press Tools, the small engineering group which engages Mr Hutchings' attention when he is not absorbing Elek, Fender, My Little Pony, and Roland Rat, as well as Smith & Wesson handguns.

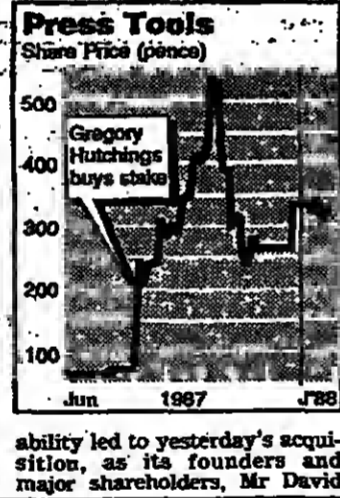
Press Tools, the small engineering group which engages Mr Hutchings' attention when he is not absorbing Elek, Fender, My Little Pony, and Roland Rat, as well as Smith & Wesson handguns.

Press last August with the express intention of creating a corporate umbrella under which Mr Hutchings' interests could be managed.

To underline this strategy, Press is to change its name to Mosaic Investments. It also launched a one-for-six rights issue at 250p to raise £2m before expenses. Press shares added 15p to close at 335p.

However, cute Copyright's 20 comic-strip and television character "clients" may appear, Mr Hutchings must wish that the gnomes at Smith & Wesson (which Tomkins bought last year) could achieve such margins. In the year to April 1987, Copyright reported pre-tax profits of £663,000 on turnover of only £1.78m.

Copyright's cash-generating



ability led to yesterday's acquisition, as its founders and major shareholders, Mr David

Midway fall for British Bloodstock

THE TAXABLE profits of the British Bloodstock Agency, USM-listed thoroughbred horse dealer, shipper and insurer, failed to show any recovery in the six months to end-September 1987.

They declined from £175,000 to £118,000.

Turnover rose from £2m to £2.03m. Tax took less at £66,000 (£66,000), resulting in earnings per share of 1.5p (2.6p).

The interim dividend is maintained at 2.5p.

High Low	Company	Price	Change	Gross Div (p)	% Yld	P/E
206 139	Acc. Inv. Ind. Ord. Inv.	185	0	8.9	4.8	6.9
207 145	Acc. Inv. Ind. Ord. Inv.	188	0	10.0	5.3	-
41 25	Armitage and Hetherington	25	0	-	-	-
142 40	BBB Design Group (USM)	55	0	2.1	3.7	8.8
188 108	Barclay Group	125	0	2.7	1.7	15.5
106 95	Beecham Group	143	+1	4.7	3.3	15.4
261 130	CCZ Group (Ordinary)	244m	0	12.5	4.7	6.3
147 99	CCZ Group 11% Conv. Pref.	127	+1	15.1	11.0	-
171 130	Charterhouse (Ordinary)	130	0	5.4	4.1	11.3
104 91	Charterhouse 7.5% Pref.	100	0	10.7	-	-
189	George Blair	167m	+2	3.7	2.2	4.3
143 68	HSK Group	68	0	-	-	-
104 59	Jackson Group	62m	0	3.4	2.7	10.3
780 300	Maitland (Ordinary)	330	0	7.5	2.3	13.1
89 35	Reed Holdings (SE)	57	0	2.7	4.8	11.5
115 83	Reed Holdings 10% Pref. USD	110	0	14.1	12.8	-
91 50	Robey Jenkins	50	0	5.5	4.4	9.9
226 50	Scotman	124m	0	6.6	4.4	9.9
228 67	Torbay & Carlin	197	0	6.4	3.4	9.4
71 32	Trevina Holdings (USM)	60	0	2.7	6.6	6.5
131 41	Unilever Holdings (USD)	60	0	2.8	4.7	11.0
264 135	Walter Alexander	135	0	5.9	3.8	13.5
220 170	W.S. Young	220	0	11.4	7.9	22.0
170 67	West Works, Ind. Hosp. (USM)	131	+1	5.5	4.2	13.9

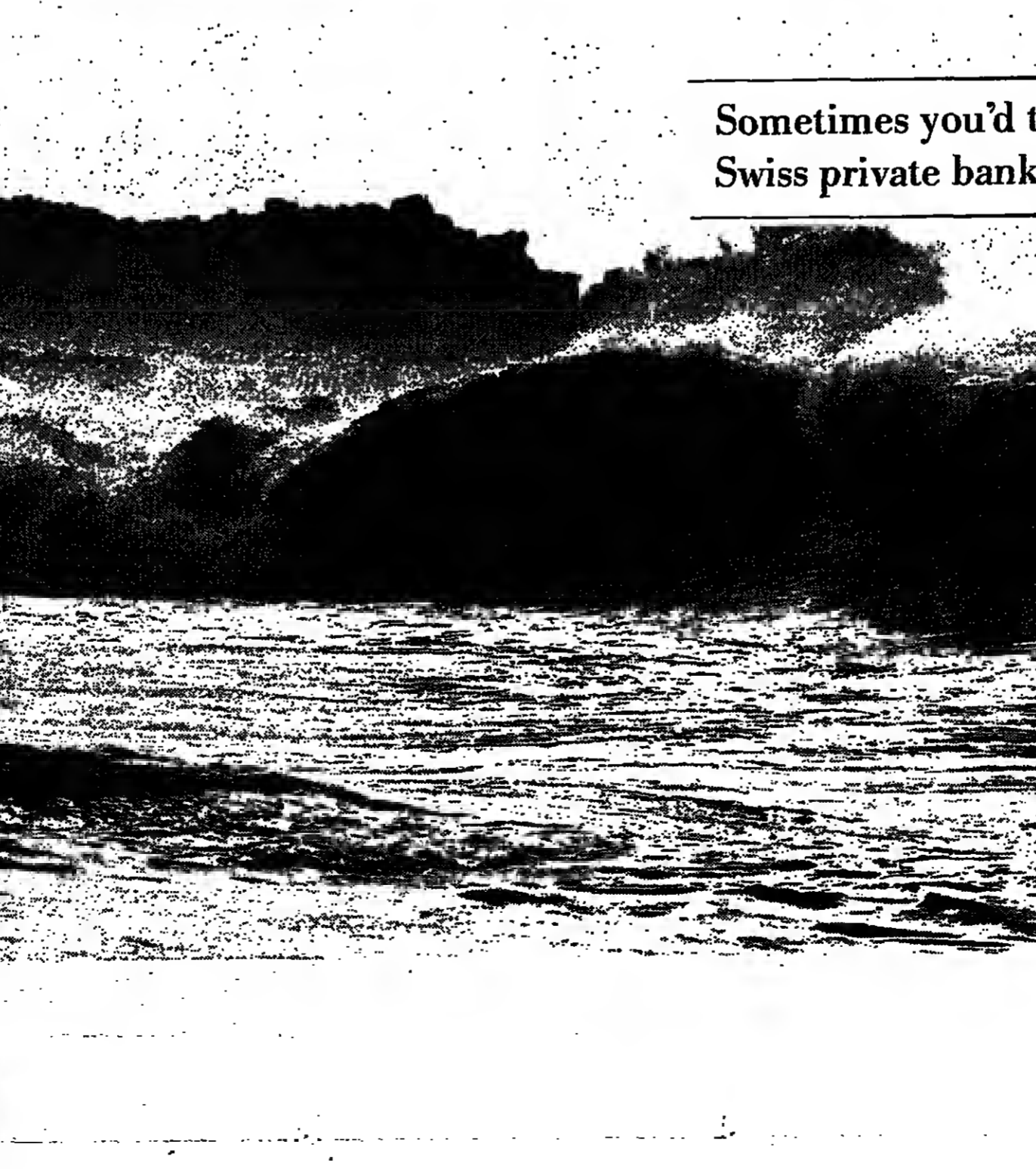
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COMMODITIES AND AGRICULTURE

Gold traders expect Newmont loan

TRADEERS WERE linking the weakening gold price yesterday with suggestions that Newmont Mining of the US is arranging a 1m troy ounce gold loan more than twice the size of any previous gold-based loan, writes Kenneth Gooding.

Gold bullion fell to \$489.75 an ounce in the afternoon "fix" in London yesterday, its lowest since November 23, and closed at \$470.25, down \$1.50.

Traders suggested that it would be surprising if Newmont had not sold at least a substantial proportion of the gold it intends to borrow and then pay back once from future production.

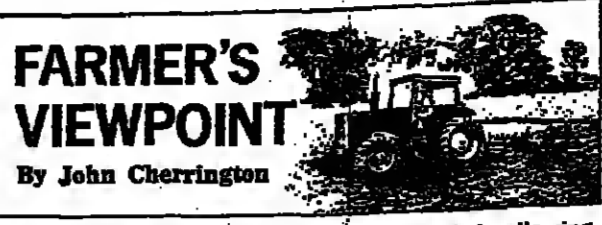
New York sugar market 'hopping'

By Deborah Hargreaves in Chicago
AFTER POSTING a record volume of over 6m contracts for last year, New York's Coffee, Sugar & Cocoa Exchange has seen burgeoning interest in its raw sugar futures and options in the last couple of months.

Open interest in sugar futures - the number of unmatched trades - has reached a record 154,900 contracts, and the exchange's sugar options have been setting new daily volume records as trading has passed the 8,500-a-day mark this month.

Learning the lessons of Chernobyl

I BELIEVE that the most damaging single blow ever to be suffered by the European farming industry was the Chernobyl accident in April 1986. In the Soviet Union itself the immediate impact was spectacular in ruined land and dying livestock, but the fallout spread and spread through northern Europe, even reaching parts of the US.



FARMER'S VIEWPOINT
By John Cherrington

Its worst effects in Britain were the high rainfall and the loss of sheep to the disease. The authorities were slow to act, almost as if they did not want to know, and it was about mid-summer before sheep were being monitored and movement restrictions imposed.

It is only thanks to a subcommittee of the Welsh Country Landowners' Association that this information is now coming to light. But the problem is not confined to Wales - it is even more acute in Cumbria and fresh contamination has been found this year in Yorkshire and Ireland.

enthusiasm to look into the matter further.
These hill areas are the main source of breeding sheep for many lowland flocks. Any interruption in these sales would be catastrophic for the farmers involved, hence the reaction of the FWC and a similar response from the Cumbrian group.

Study Group reports zinc production at record level

PRODUCTION and consumption of zinc in the non-socialist world reached record levels in 1987, according to provisional estimates by the International Lead and Zinc Study Group.

Production of refined zinc increased by 190,000 tonnes in Europe a rise of 100,000 tonnes took the total output above 2m tonnes for the first time.

Total commercial stocks of zinc, including estimates of those held by consumers and merchants, are assessed at 580,000 tonnes, showing a reduction of 35,000 tonnes from the end of 1986.

Tanzanian cassava threatened by outbreak of mealy bugs

BY PHILIP SMITH IN DAR ES SALAAM
TANZANIA'S Government has quarantined nearly a third of its cassava growing regions to try to stop the spread of a sudden mealy bug outbreak.

F.F. Wolff

MR FRED WOLFF, former chairman of the committee of the London Metal Exchange and the Federation of Metal Exporters, died yesterday aged 77.

Indonesia offered 18% tin quota rise

BY JOHN MURRAY BROWN IN JAKARTA
INDONESIA'S TIN export quota is to be raised by 18 per cent from March, the largest increase under new terms of the supply rationalisation scheme proposed by the five-member Association of Tin Producing Countries in Kuala Lumpur earlier this month.

The large speculative interest in the world sugar market, which has taken prices into areas not seen since 1983, is disrupting the relationship between the physical and futures markets, according to the latest report from broker Woodhouse Drake & Carey, writes Our Commodities Staff.

Peruvian miners strike over pay

BY BARBARA DURR IN LIMA
A STRIKE THAT began on Monday morning at Centromin, Peru's largest mining company, could broaden if the state-owned company is intransigent on workers' wage demands.

LONDON MARKETS

THE RECENT rise in London Metal Exchange tickler prices stopped up a gear yesterday and the cash position gained £225 to close at £4,780 a tonne.

Table with columns for Commodities (Cocoa, Rubber, Sunflower, etc.), Previous, High/Low, and other market data.

WORLD COMMODITIES PRICES

Table with columns for Commodities (Aluminum, Copper, Lead, etc.), Previous, High/Low, and other market data.

US MARKETS

IN LACKLUSTRE TRADING precious metals underwent a modest recovery from Monday's fall, reports Drexel Burnham Lambert, Commission-house buying and local short-covering featured in the face of light trade selling.

Chicago

Table with columns for Commodities (Soybeans, Soybean Meal, etc.), Previous, High/Low, and other market data.

New York

Table with columns for Commodities (Gold, Silver, etc.), Previous, High/Low, and other market data.

SPOT MARKETS

Table with columns for Commodities (Crude Oil, Gasoline, etc.), Previous, High/Low, and other market data.

GRAINS & OILSEEDS

Table with columns for Commodities (Wheat, Corn, Soybeans, etc.), Previous, High/Low, and other market data.

PRECIOUS METALS

Table with columns for Commodities (Gold, Silver, Platinum, etc.), Previous, High/Low, and other market data.

INDEXES

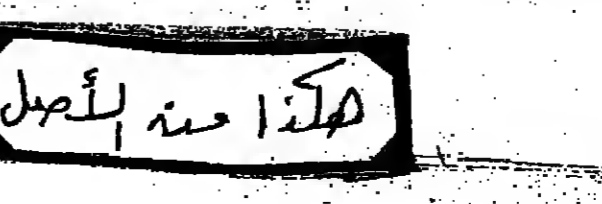
Table with columns for Indices (Dow Jones, Nikkei, etc.), Previous, High/Low, and other market data.

POPK BELLES

Table with columns for Commodities (Cattle, Hogs, etc.), Previous, High/Low, and other market data.

POPK BELLES

Table with columns for Commodities (Cattle, Hogs, etc.), Previous, High/Low, and other market data.



CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar awaits GNP data

THE DOLLAR failed to hold on to early gains and finished roughly where it was in London on Monday. A sharper than expected rise of 5.7 p.c. in US durable goods orders took a while to sink in but eventually provoked only a mild rally.

Sellers soon gained the upper hand as the dollar broke through the DM1.6800 and there was insufficient impetus to sustain a break above this point. Traders were preferring to wait for the release today of US 4th quarter GNP figures before committing themselves either way.

The dollar moved up to DM1.6810 at one stage but finished at DM1.6775 on Monday. Against the yen it edged up to Y127.85 from Y127.75. Elsewhere it finished at SFr1.9610 from SFr1.9615 and FF5.6500 from FF5.6550. On Bank of England figures, the dollar's exchange rate index closed at 94.3 from 94.4.

STERLING-Trading range against the dollar in 1987/88 is 1.8785 to 1.4710. December average 1.8269. Exchange rate index fell to 74.3 from 74.4, which opened at 74.1.

Table with columns for currency pairs (Sterling, US Dollar, etc.) and their respective rates.

Table titled 'CURRENCY RATES' showing various international exchange rates.

Table titled 'CURRENCY MOVEMENTS' showing percentage changes in various currencies.

Table titled 'OTHER CURRENCIES' listing rates for currencies like Argentine, Australian, etc.

FINANCIAL FUTURES

Picture may not be all gloom

THE US economic picture may not be all gloom and doom, according to economists, after yesterday's announcement of durable goods orders for December.

It was quickly pointed out that the durable goods series is notoriously volatile, but even allowing for a likely correction at a future date the rise of 5.7 p.c. was well above any forecast.

Aircraft orders accounted for about two thirds of the rise, but even after stripping this out the figure appears to be about 2.5 p.c., said Mr Geoffrey Dennis, international economist, at

Table titled 'LIFE SAVING AND FUTURES OPTIONS' showing market data for various options.

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James Capel. This compares with expectations of about 0.5 p.c. US Treasury bond futures weakened on the news. March delivery bonds fell to a low of 91-02 on LIFFE, before closing at 91-10, compared with 91-31 on Monday.

Mr Dennis warned against getting too carried away with the durable goods figure, but along with other economists was encouraged by signs of strong industrial performance.

Mr Marc Hendrick, economist at Barings Economics Unit, believes it is good news for the US economy, pointing to

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PRICE WATERHOUSE and the FINANCIAL TIMES CONFERENCE ORGANISATION present

CAPITAL MARKETS WORKSHOP

1-3 FEBRUARY, 15-17 MARCH & 13-15 APRIL 1988 The risks involved in trading often complex instruments in the capital markets are very clear and the events of last Autumn make the problems even more immediate.

For further information on these case-study based programmes please return this advertisement with your business card to: Financial Times Conference Organisation, 126 Jermyn Street, London SW1W 4JU

COMMERCIAL PROPERTY IN WEST END & VICTORIA

The Financial Times proposes to publish the above survey on Friday 26th February 1988. For further information and Editorial Synopsis please call Joe Bell on 01 248 0769.

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FT 30 Jan. 1406/1418 -14 Feb. 1407/1419 -14 FTSE 100 Jan. 1753/1765 -19 Feb. 1754/1766 -19 WALL STREET Feb. 1919/1935 -16 Mar. 1925/1941 -15

Prices taken at 5pm and change is from previous close at 9pm

Advertisement for Chicago Board of Trade with the slogan 'WE BELIEVE OPEN COMPETITION IS THE FOUNDATION OF FREE ENTERPRISE' and a stylized graphic.

MONEY MARKETS

Slightly firmer

THERE WAS a slightly firmer tone to interest rates on the London money market yesterday. Three-month interbank rate rose to 8 1/4 p.c. as dealers took a rather cautious view of the CBI industrial trends survey, and an early weakness of the pound.

Mr Nick Parsons, at Union Discount, suggested that to some extent the market may have misinterpreted the CBI

FT LONDON INTERBANK FIXING

Table showing interbank fixing rates for various currencies.

The fixing rates are the indicative rates reached in the market one-to-one, of the bid and offered rates for 300m quoted by the market in the currency market at 11.00 a.m. each working day.

MONEY RATES

Table showing money rates for various currencies.

LONDON MONEY RATES

Table showing London money rates for various currencies.

NEW YORK

Table showing New York money rates.

LONDON MONEY RATES

Table showing London money rates for various currencies.

EUROPEAN OPTIONS EXCHANGE

Table of European Options Exchange data with columns for Series, Vol, Last, and various dates.

BASE LENDING RATES

Table of Base Lending Rates for various banks and currencies, including columns for bank names and rates.

CLASSIFIED ADVERTISEMENT RATES

Table of Classified Advertisement Rates with columns for Advertiser, Line, and Rate.

FT CROSSWORD No.6,540

Crossword puzzle grid with numbers 1-28 and a grid of letters.

ACROSS
1 Run-of-the-mill quality testers in error (9)
6 Best making a girl exercise back (5)
9 Moved stuff around the establishment (6)
10 Anti-hunt meeting (9)
11 Get near-fanciful in a letter? Rod (10)
12 Some strikers like picketing in military gear (4)
14 "He would not, Master Neptune for his ... (Coriolanus) (7)
15 Concerned with children getting put out again (7)
17 Register dissatisfaction and annoyance about corruption (7)
19 Herb beer price (7)
20 To do some of the office work would be kind (4)
22 It's dull when there's no alcoholic drink (10)
23 Being aloof, she'd made up a story not to be believed (9)
24 Flora's bovine insolence (2-3)
27 The interval - magic words (3)
28 Certain to get into step, so highly thought of (9)
DOWN
1 Edward will receive a Greek character, though with little warmth (9)
2 Got coin in variety under an assumed name (9)
3 Finish up very annoyed when compromised (10)
4 Put right inside but it's been taken out (7)

Solution to Puzzle No.6,539
WHELOFFORTUNE
S U V P A E T A
P O S S E E X C A V A T E
A H N I I O V E E
D E S I G N E A L L U R E D
E O N V U
S Y N D U N C E S C A P
E R E R O
B A W I N D O W S I N G E
E
S A N R E M O P I L S I M
T J S N A P A I
R E K O N S U A L L O T
E F E E N T V
M I A R O F A T T R I T I O N

AUTHORIZED UNIT TRUSTS

Large table of Authorized Unit Trusts listing various trusts, their managers, and financial details.

FT UNIT TRUST INFORMATION SERVICE

Table of unit trust information including columns for fund name, company, and performance metrics.

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INSURANCES

Table of insurance information including columns for company name, policy type, and terms.

FT UNIT TRUST INFORMATION SERVICE

Table of unit trust information for 'Prudential Assurance Co Ltd' and 'Prudential Assurance Co Ltd'.

Table of unit trust information for 'Prudential Assurance Co Ltd' and 'Prudential Assurance Co Ltd'.

Table of unit trust information for 'Prudential Assurance Co Ltd' and 'Prudential Assurance Co Ltd'.

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MANAGEMENT SERVICES

Table listing management services for various unit trusts.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas unit trusts.

Table listing offshore and overseas unit trusts.

FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service listing various unit trusts with columns for Name, Manager, Assets, and other details.

LONDON SHARE SERVICE

Table of London Share Service listing British Funds, Foreign Bonds & Rails, and American stocks with columns for Name, Price, and Yield.

Table of Money Market Trust Funds listing various trust funds with columns for Name, Assets, and other details.

LONDON SHARE SERVICE

INDUSTRIALS (Miscel.) - Contd.

Table of stock prices for various industrial companies, including sections for 'INDUSTRIALS (Miscel.) - Contd.', 'HOTELS AND CATERERS', and 'INSURANCES'. Columns include company names, share prices, and changes.

ENGINEERING - Contd.

Table of stock prices for engineering companies, including sections for 'ENGINEERING - Contd.', 'FOOD, GROCERIES, ETC.', and 'INDUSTRIALS (Miscel.)'.

DRAPERY AND STORES - Contd.

Table of stock prices for drapery and stores companies, including sections for 'DRAPERY AND STORES - Contd.', 'ELECTRICALS', and 'INDUSTRIALS (Miscel.)'.

BUILDING, TIMBER, ROADS - Contd.

Table of stock prices for building, timber, and roads companies, including sections for 'BUILDING, TIMBER, ROADS - Contd.', 'CHEMICALS, PLASTICS', and 'INDUSTRIALS (Miscel.)'.

AMERICANS - Contd.

Table of stock prices for American companies, including sections for 'AMERICANS - Contd.', 'CANADIANS', 'BANKS, HP & LEASING', and 'BEERS, WINES & SPIRITS'.

CANADIANS

Table of stock prices for Canadian companies.

BANKS, HP & LEASING

Table of stock prices for banks, hire purchase, and leasing companies.

BEERS, WINES & SPIRITS

Table of stock prices for beer, wine, and spirit companies.

BUILDING, TIMBER, ROADS

Table of stock prices for building, timber, and roads companies.

ELECTRICALS

Table of stock prices for electrical companies.

FOOD, GROCERIES, ETC.

Table of stock prices for food, grocery, and other companies.

HOTELS AND CATERERS

Table of stock prices for hotels and caterers.

INDUSTRIALS (Miscel.)

Table of stock prices for various industrial companies.

CHEMICALS, PLASTICS

Table of stock prices for chemical and plastic companies.

DRAPERY AND STORES

Table of stock prices for drapery and stores companies.

HIRE PURCHASE, LEASING, ETC.

Table of stock prices for hire purchase, leasing, and other companies.

ENGINEERING

Table of stock prices for engineering companies.

LONDON SHARE SERVICE

INSURANCES - Cont'd

Table listing insurance companies and their share prices, including Royal Indemnity, Commercial Union Assurance, and others.

PAPER, PRINTING, ADVERTISING - Cont'd

Table listing paper, printing, and advertising companies such as Newsprint, Printers, and Advertising agencies.

TEXTILES - Cont'd

Table listing textile companies including various spinning and weaving firms.

TRUSTS, FINANCE, LAND - Cont'd

Table listing trusts, finance, and land companies, including investment trusts and financial institutions.

DIL AND GAS - Cont'd

Table listing oil and gas companies, including exploration and production firms.

MINES - Cont'd

Table listing mining companies, including various metal and coal producers.

LEISURE

Table listing leisure companies, including hotels, resorts, and entertainment firms.

PROPERTY

Table listing property companies, including real estate and development firms.

TOBACCO

Table listing tobacco companies.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies.

OVERSEAS TRADERS

Table listing overseas trading companies.

PLANTATIONS

Table listing plantation companies.

MISCELLANEOUS

Table listing miscellaneous companies.

MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade companies.

COMMERCIAL VEHICLES

Table listing commercial vehicle companies.

FINANCE, LAND, ETC

Table listing finance, land, and other companies.

MINES

Table listing mining companies.

PLANTATIONS

Table listing plantation companies.

NOTES

Notes section providing additional information and commentary on the market.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies.

SHIPPING

Table listing shipping companies.

SHOES AND LEATHER

Table listing shoes and leather companies.

OIL AND GAS

Table listing oil and gas companies.

FINANCE

Table listing finance companies.

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks.

PAPER, PRINTING, ADVERTISING

Table listing paper, printing, and advertising companies.

SHOES AND LEATHER

Table listing shoes and leather companies.

SOUTH AFRICANS

Table listing South African companies.

TEXTILES

Table listing textile companies.

TRADITIONAL OPTIONS

Table listing traditional options.

INDUSTRIALS

Table listing industrial companies.

LONDON STOCK EXCHANGE

CBI report knocks the wind out of Gilt-edged as shares firm in thin trade

Account Dealing Dates table with columns for First Dealing, Last Dealing, and Account Dates.

The LATEST survey of business opinion by the Confederation of British Industry, which proved considerably more bullish than the City expected...

The CBI report, with its indication of a record order book and strongly growing output, was received with 'modest signs of relief' in equities and prices jumped smartly...

Equities looked subdued at the end of the day when the market was poised for a further statement on losses in traded options by a leading market firm...

Some analysts commented that there were signs in the CBI report of a deterioration in Britain's export performance which, together with yesterday's weakening in the pound...

Long-dated bonds, which again saw most of the action, closed with losses ranging to a full point. Retail prices were modest but Mr Nigel Richardson, at Warburg Securities, pointed out that the CBI report 'completely failed to confirm' the trend of recent data in the UK economy...

Yields at the long end closed around 8.5 per cent last night but were as high as ten per cent just before the auction of \$1bn medium-dated Government stock, which turned out such a misfortune for the market...

British shares were heavily traded (5.9m) but slipped further away from the 500p mark by British Petroleum for Atlantic Richfield's 24 per cent stake...

Traders noted that Salomon Bros, the US house which has been acting in the marketplace

FINANCIAL TIMES STOCK INDICES table showing various indices like Government Secs, Financial, Ordinary, Gold Mines, etc. with columns for Jan 26, 27, 28, 29, 30, 31, and Year.

Day's High 1423.9, Day's Low 1416.2

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-0998 123001

BPF Industries was the one leading Building issue to attract sustained buying interest mainly from one source, and the price responded with a gain of 16 at 256p...

ICL were unchanged at \$104 on a turnover of 1.6m shares. Elsewhere in the Chemical sector, Coates Brothers A shares continued to bound ahead in the wake of the recent purchase of Loritex International...

seas holders were believed to have taken place yesterday. Elsewhere in the Engineering sector, IREX, reflecting demand from a leading Midlands broker...

Once again, interest in the major international was at an extremely low level and final movements on the day were limited to Arrow, unsettled in the previous trading session on the surprise announcement of the resignation of the managing director, Mr Christopher Castle...

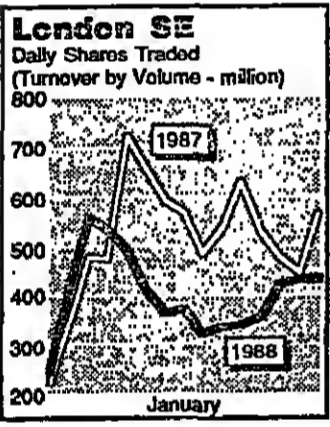
next month, could make good reading helped Goodhead Prime rise 4 to 160p.

Leading Properties traded firmly helped by a bullish review of the sector by Warburg Securities. The review, which included several specific recommendations, also gave a mild boost to turnover. Land Securities rose 5 to 475p while Hammerson A attracted renewed speculative support...

De La Rue, a recent bid favourite, surged ahead to close 17 higher at 414p while DSC, reflecting the news that MIM had acquired a stake of just over 15 per cent in the company and the appointment of Lord Stevens as chairman, advanced 19 to 98p...

Lombard came under pressure as nervousness about a head of tomorrow's results. Ahead of the recovery with the action found marketmakers reluctant to take up trading positions and attempt to maintain level books...

Traded option business expanded yesterday with contracts totalling 24,276, comprising 15,149 calls and 8,825 puts. Retail were active in the wake of the interim figures and attracted 2,024 calls - 1,072 in the February 22's - and 2,826 puts. Holla-Boyce registered 1,957 calls and 1,850 puts. The FTSE contract attracted 874 calls and 1,977 puts.



for Atlantic Richfield, was aggressively buying Britoil shares yesterday. Some sources wondered if Atlantic, with its acceptance of the BP terms not irrevocable, could be engaged in a successful arbitrage operation...

British Gas eased to 137p with the market less inclined to view the group as a possible white knight for Britoil. At 74p, British Petroleum 'new' shares were slightly cheaper on turnover of 4.4m, while the 'old' eased 1 1/2 to 247p with 2.5m traded.

The UK hotel group already controls just short of 20 per cent of Martell but there is still room for Segram, which has 14 per cent of Martell, to come back with a higher bid. Under French takeover rules, Segram must top 60 per cent of Martell by at least 5 per cent.

Racal Electronics suffered as sellers leaned heavily on the shares after announcement of the interim statement. Group profits of \$43.3m were fully up to market estimates, and some 72 per cent higher than the corresponding period last year.

ing 10 higher at 262p. Among Lloyds brokers, Sedgwick were actively traded with some 3.7m shares changing hands; business reportedly included a broker/agency cross of 1m shares at the 231p level and the close was 6 lower at 227p. FWS firm 6 to 203p on details of the acquisition of a GNA, a US insurance broking outfit.

With more analysts taking a negative short-term stance on the sector, Breweries continued to mark time. Wood Mackenzie says in its latest review 'the twin threat of a punitive budget and the MGC report overhangs sentiment'. Volume declined further in Guinness, now that the group is unable to buy in its own shares until announcement of the 1987 interim statement...

NEW HIGHS AND LOWS FOR 1987/88

FT - ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS table with columns for Index No., Day's Change, and various sub-sections like CAPITAL GOODS, BUILDING MATERIALS, etc.

FIXED INTEREST

PRICE INDICES table with columns for Index No., Day's Change, and various interest rates like 5 years, 10 years, etc.

LONDON TRADED OPTIONS

LONDON TRADED OPTIONS table with columns for Option, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec, and various call/put options.

TRADING VOLUME IN MAJOR STOCKS

TRADING VOLUME IN MAJOR STOCKS table showing trading volume for various stocks like ASDA-MFI, Allied-Lyons, etc.

RISES AND FALLS YESTERDAY

RISES AND FALLS YESTERDAY table showing price changes for various categories like British Shares, Foreign Shares, etc.

LONDON RECENT ISSUES

LONDON RECENT ISSUES table listing various financial products and their prices.

FIXED INTEREST STOCKS

FIXED INTEREST STOCKS table listing various fixed interest securities and their prices.

Handwritten signature or note at the bottom of the page.

WORLD STOCK MARKETS

Table of stock market data for various countries including Australia, Canada, Germany, Japan, and the UK. Columns include country, date, and various stock indices.

Table of stock market data for Canada, listing various companies and their stock prices. Includes a section for 'TORONTO CLOSING PRICES' and 'MONTREAL CLOSING PRICES'.

Table of stock market data for Japan, listing various companies and their stock prices. Includes a section for 'JAPAN CLOSING PRICES'.

Table of stock market data for the UK, listing various companies and their stock prices. Includes a section for 'OVER-THE-COUNTER' and 'CHIEF LONDON PRICE CHANGES YESTERDAY'.

Table of stock market indices for New York, including Dow Jones, S&P 500, and other regional indices. Includes a section for 'NEW YORK ACTIVE STOCKS'.

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NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include Stock, P, S, E, High, Low, Last, Change. Includes sub-sections for Continued from Page 44, R R R, S S S, and U U U.

Table of AMEX Composite Closing Prices. Columns include Stock, P, S, E, High, Low, Last, Change. Includes sub-sections for A A A, B B B, C C C, D D D, E E E, F F F, G G G, H H H, I I I, J J J, K K K, L L L, M M M, N N N, O O O, P P P, Q Q Q, R R R, S S S, T T T, U U U, V V V, W W W, X X X, Y Y Y, Z Z Z.

OVER-THE-COUNTER

Table of Over-the-Counter closing prices. Columns include Stock, Sales, High, Low, Last, Change. Includes sub-sections for A A A, B B B, C C C, D D D, E E E, F F F, G G G, H H H, I I I, J J J, K K K, L L L, M M M, N N N, O O O, P P P, Q Q Q, R R R, S S S, T T T, U U U, V V V, W W W, X X X, Y Y Y, Z Z Z.

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AMERICA

Dow beats a retreat as buying interest tapers off

The stock market gave up about half of Monday's gains yesterday, as volume slipped back to the subdued levels seen for most of the year so far...

Wall Street

The Dow Jones Industrial Average closed 26.86 points lower at 1920.59, after its 42.94 point rise on Monday...

Other stocks involved with takeover bids included Farmers Group - being bid for by AT Industries - which slipped 3/4 to \$88 3/4...

Analysts forecasts had ranged widely, from a fall of 0.5 per cent to a rise of 3.3 per cent...

Analysts said the market was disappointed by the State of the Union address by President Reagan on Monday night...

SOUTH AFRICA

A FALL in the bullion price to \$470, a rise in the price of gold to \$345.50 and a continuation of the financial raid...

EUROPE

Aimless dollar leaves export issues flat

LETHARGIC investors watched the aimless direction of the dollar and decided to remain firmly on the sidelines...

London

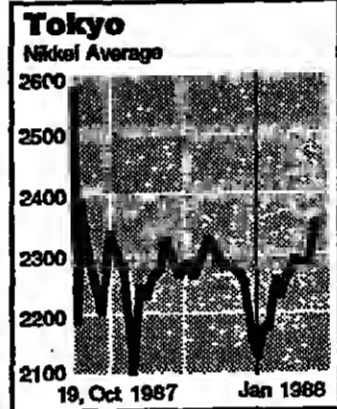
Uncertainty before tomorrow's UK trade figures for December and the continuing lack of volume resulted in slow trading and little change...

MADRID inched higher but selective profit-taking after Monday's advance pared many gains as investors turned nervous towards the close...

ASIA

Good tidings help Nikkei build on gains

WALL STREET'S overnight advance, stability in the yen-dollar exchange rate and lower interest rates brought investors back to the floor in Tokyo yesterday...



reports of a link with Visa International and Mastercard International on credit card services...

up selling on the cash bond market. As a result, the yield on the benchmark 6.5 per cent Government bond...

Bank of East Asia rose 10 cents to HK\$2.10 after announcing good results and plans for a one-for-five bonus share issue...

Canada

PULLED LOWER by energy stocks, industrials and base metals, stocks posted moderate losses in slow trading...

Tokyo

Spurred by Wall Street's strong performance and stability on foreign exchanges, the market got off to a firm start...

Singapore

INTERMITTENT profit-taking in the trade index after an early rally petered out as investor nervousness resurfaced...

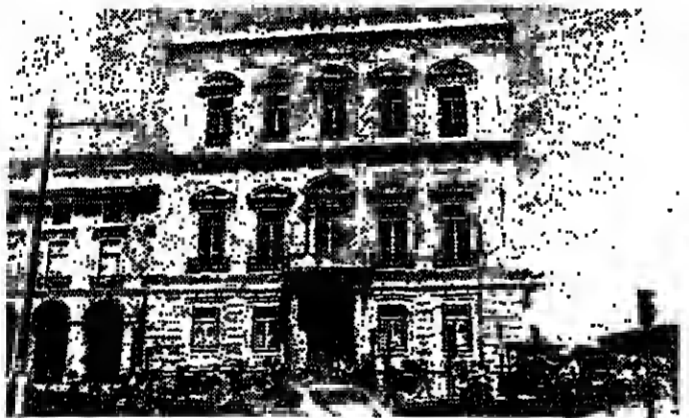
Hong Kong

LOCAL buying offset selling by overseas institutions, which continued to cut their Hong Kong share portfolios...

Diana Smith reports on a Portuguese bourse's attempt to improve the clearing system

Oporto speeds up its settlements

THE OPORTO Stock Exchange Commission will soon introduce what it hopes will be a more efficient, better-supervised clearing and settlements system...



Lisbon Stock Exchange: rivalrous relations with Oporto operation: any delay in settlement of purchase or sale must be immediately reported to the Stock Exchange Commission...

Operations in Lisbon and Oporto became completely out of hand in the 6-month boom when foreign capital flooded the market...

FT - ACTUARIES WORLD INDICES

Table with columns for National and Regional Markets (US, UK, etc.) and Dollar Index, showing indices for Tuesday January 26 1988 and Monday January 25 1988.

Advertisement for 'A Unique Deposit Account' by Royal Trust Bank. Includes a 'NEW!' banner, a sample account statement, and promotional text about interest and capital gain.